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China Report

ECONOMIC AFFAIRS



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22 OCTOBER 1986

CHINA REPORT

ECONOMIC AFFAIRS

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NATIONAL POLICY AND ISSUES

NOTED ECONOMIST DISCUSSES ECONOMIC THEORIES

On Marxist Economics

Beijing JINGJIXUE ZHOUBAO [ECONOMICS WEEKLY] in Chinese 4 May 86 p 2

[Article by Yu Guangyuan [0060 0342 6678]: "My View on Marxist Economics"]

[Text] I worry about people who mistake dogmatism for Marxism. While discussing views on Marxist economics, we should try to understand its precise original meaning and then air views based on our own understanding. My stand still is to "study," "uphold," and "develop" it. I hope that we begin discussion on how to develop Marxist economics in an effort to accelerate the development of Marxist economics in China.

I would like to address a specific question of Marxist political economics.

What is Marxist economics? It has two meanings which are not exactly alike:

The first meaning is: "Marxist economics is the economics of Marxists." This is an "experience-oriented" meaning. According to this meaning, the economics of the founder of Marxism is Marxist economics which is of course also the economics of Marxist followers. It has been over a century since the birth of Marxism. There have been numerous Marxists in the past and at present. No matter what the differences are between their views, as long as they are not denied as Marxists, their economics must be considered as Marxist economics. This is an inevitable conclusion of logic. If you think this explanation is too broad, we can add some restrictive phrases such as the economics of classical writers of Marxism, the economics of "famous Marxist economists," the economics of "universally accepted" Marxists, the economics of "popular" Marxists, and "classroom" Marxist economics.

The second meaning is: "Marxist economics is a type of economics formed and developed on the basis of studies conducted according to Marxist stand, views and methods. This is a "theory-oriented" meaning. According to the first meaning, judging whether a type of economics is Marxist economics boils down to determining whether a certain person is Marxist whereas according to the second meaning, it is required to examine whether the economics itself conforms to Marxist stand, views and methods including of course whether it upholds the fundamental tenets of Marxist economics.

We often come across the fact that Marxist economics has two meanings in daily life. I hope that we pay attention to the similarities and dissimilarities between these two meanings when using the term "Marxist economics" and use the Marxist economics of the second meaning to analyze that of the first meaning. In an article published by "WEN HUI BAO" on 14 November 1985 entitled "An Unshirkable and Arduous Task for Theoretical Workers," I mentioned that I worried about those people who mistake dogmatism for Marxism. Marxist economics taught in classrooms and published in books and periodicals includes some dogmatical stuff which according to the first meaning is naturally considered as Marxist economics; therefore, it is only natural for the people's resentment against this stuff to turn into resentment against Marxist economics. This is a major reason why Marxism is being misinterpreted today. Of course, equating dogmatical stuff with Marxism by Western economists would also compound some people's misunderstanding of Marxist economics.

I also deem it necessary to clarify the original meaning of Marxist economics when discussing Marxist economics. After the original meaning is clarified, we can of course air our opinions according to our own understanding. I am against considering "Das Kapital" as perfect stuff. For instance, some people point out that Marx's "Das Kapital," including second and third volumes which were published after his death, is an unfinished work, saying that "analyses from abstract to concrete have not been concluded." I think pointing out this point is very important. We can also find proves in Marx's original research and writing plans. But I have also seen some erroneous interpretations of Marxist economics and those arguments derived from such interpretations therefore cannot be correct. For instance, some people said "Marx held" that the commodity economy not only refers to commodity production but "more importantly refers to the commercialization of all human relations in capitalist societies which turns moral integrity and justice into the targets of buying and selling;" therefore, they were against the inference that the socialist economy is a planned commodity economy. In fact, Marx never meant what they said. Other people said "to Marx, a planned economy meant a sole-public-ownership economy with highly developed productive forces and a commodity economy meant a laissez-faire, classical capitalist market economy." As a matter of fact, Marx did not have the notion of "sole public ownership" not did he ever use the words "planned economy." It is said that someone made a special effort to look up the term "commodity economy" in "Das Kapital" only to find that it was never used either. Even if some of Marx's views and ideas are close to certain views of contemporaries, it is still inappropriate to relate them in the language of modern people. I do not think there is anything particularly important about whether or not Marx used a certain term. For instance, I do not think that we should avoid using the term commodity economy just because Marx did not use it. However, when relating someone else's opinions, we should try to be accurate. This applies to not only Marx but also everybody.

Different people have different views on Marxist theory of economics. My stand is to "study," "uphold," and "develop" it. Since Marxist economics is a science, we should treat it like we treat science. In other words, we should study it instead of worshipping or obeying it. After studying, if we think it

is scientific truth, we should uphold it, upholding those things that should be and must be upheld--namely, the fundamental tenets of Marxist economics and the universal principles and individual inferences that are still applicable today. The need to develop Marxist economics is determined by its nature. For instance, Marx did not write the part on socialism of political economics; therefore, using Marxist stand, views and methods to study the part on socialism of political economics is a form of development for Marxist economics. As for how to develop, it would be a more profound issue. I hope that we carry out discussions in this regard and accelerate the development of Marxist economics in China.

On Study, 3 Issues

Beijing JINGJIXUE ZHOUBAO [ECONOMICS WEEKLY] in Chinese 18 May 86 p 4

[Article by staff reporter Song Ping (1345 1627): "Yu Guangyuan in Shanghai On Some Problems in the Study of Economic Theories"]

[Text] On 23 April the propaganda department of the Shanghai Municipal CPC Committee invited noted economist Yu Guangyuan to deliver a report on several issues on the study of economic theories for some theoretical workers and leading cadres in charge of propaganda work. He addressed three issues: 1) Reform and socialist commodity economy 2) The reform of economic system and the stage of development of communism and 3) The relations between the reform of economic system and the reforms of other systems. In conclusion, he called on theoretical workers in Shanghai to make more contributions.

Regarding the first issue he said: Our reform is a drastic change taken place after we entered the stage of socialist construction. Such a reform is the reform of Marxism or Marxism in reform. We should use Marxism to guide our reform, socialist construction, people's life, and party building. In the research of this reform we should have a historical perspective on human development because Marx did not and it was impossible for him to provide us with models for socialist and communist construction. How do we determine which is a good model and which is bad? We depend on the experience and data we collected in construction. After analysis and summing-up, we formulate a development model that suits China's reality. The objective of the reform is to fully develop the superiority of the socialist system and speed up socialist construction so as to defeat the capitalist system.

Regarding the second issue while discussing economic reform and the stage of communism he said: A socialist society cannot break away from diverse elements of economy. A socialist economy is still a commodity economy. Communism may be divided roughly into three stages: A, B and C. What we are practicing now is called state capitalism--one in the period of socialist construction--which has reentered our theoretical arena after over 20 years of construction. We should also admit that state capitalism does involve exploitation whereas in some local areas residents have substantially increased their wage income after the establishment of Chinese-foreign joint ventures. It looks like the form is acceptable to the people. The rural

output-related system of contracted responsibility is formed and developed on the basis of a new cooperative economy. It will not stay at the previous level. It will progress.

While addressing the relationship between the commodity and the planned economy, he said: We see them as one thing, but the two did not become one through simple integration. Instead, it was through development. Our plan should conform to such development which is unified and flexible integration. Reform should establish a new system and require supplementary measures. If reform fails to arouse the enthusiasm of the masses, it will have no basis or significance. Planned controls are inferior. Controls cannot replace development. Only planned guidance for development should be the focus of planning.

Regarding the third issue while discussing the relationship between the reform of economic system and the reforms of other systems, he said: The reform of economic system is unseparable from the reforms of other systems. Reforms must be carried out in a coordinated manner. It is all right for the reform of economic system to precede, but the reforms of political, educational, and cultural systems must catch up. Whether a reform is successful or not should be determined by social results--namely the results of management. Marxism guides not only reforms but also management.

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NATIONAL POLICY AND ISSUES

REFORM OF STATISTICAL WORK OF INDUSTRIAL ENTERPRISES

Beijing TONGJI YANJIU [STATISTICAL RESEARCH] in Chinese No. 1, Jan 80 pp 12-17

[Article by Song Ying [1349-3841] and Wang Liang [3729-1930] of the Academy and Statistical Research Institute of the State Statistical Bureau: "Summary Review of the Reform of Statistical Work of Industrial Enterprises": portions within slantlines in boldface]

[Excerpts] As the reform of the economic system is carried further, enterprises will evolve from being economic units directly under the control of the state to being commodity producers and operators that are relatively independent, that are being permitted to operate on their own initiative, and that are being held responsible for their profits and losses. How should we go about reforming the statistical work being done by the enterprises under the circumstances and how should the statistical departments at a higher level promote the reform of the statistical work of the enterprises? On the basis of our investigation and research in such places as Beijing, Tangshan, Changsha, Wuhan and Shanghai, we have arrived at the following conclusions:

/1. A vertical and horizontal statistical information network should be established centering around an overall statistical department and dividing up the workshops (divisions and offices), teams, and groups and timely and accurate statistical information on overall production operations should be made available./

Those in leadership positions in enterprises, being extremely anxious to develop advantageous situations as regards personnel, finances, materials, supplies, production, and sales and to exploit the potential of upgrading the quality of their products, turning out products in demand in the market, reducing the amount of material consumption, and utilizing all the resources at their disposal, have posed even higher demands on statistical work. They want to know not only how the production plan is being implemented, but also the entire situation relating to production operations, especially the situation in regard to production, sales, and the retention and recovery of funds. So that their products may successfully compete in the market, they have to acquire not only a timely and accurate understanding of the situation relating to the production operations of their own enterprises, but also of

the market conditions of other enterprises engaged in the same trade and from foreign countries. They seek not only to fulfill the major technical and technical targets set for their factories, but also to feed back to the workshops, teams, and groups at various levels the detailed situation regarding the fulfillment of their quotas by the workshops, teams, and groups. Thus, the exclusive concern previously shown by the overall statistical departments over production statistics and the tendency by the various divisions (sections) to go their own way with no lateral coordination and unified control and to submit statistical reports only to the higher authorities without rendering services to those in leadership positions in enterprises and the masses can no longer be tolerated. It is imperative to establish a closely knit statistical information network centering around an overall statistical department and linking up the workshops, divisions and divisions, teams, and groups so that statistical work may be carried on under unified leadership, that statistical data may be put under unified control, and that overall statistical information regarding production operations may be promptly and accurately collected and made available to the leaders of enterprises and the masses through various means (such as, forms for reporting statistics, charts, manuals for those in leadership positions, information publications, and papers).

An efficient, simple, and yet relatively stable system for compiling statistical reports by enterprises should be established and further refined. The system should be carried out for the overall assessment of the three levels of enterprises and of the target for economic effect, growth and the solution of the problem of unifying the three auditing methods.

The statistical work being done by enterprises should have as its aim the rendering of service to the state and the concerned departments at a higher level as well as to the leaders of enterprises and the masses. What is requested by the state and the concerned departments at a higher level of the statistical work being done by enterprises is more or less condensed to the system for the compilation of statistical reports. At present, enterprises at the basic level are generally hampered by the need to submit more and more detailed reports to the higher authorities and to put up targets of progressively elaborate detail, different methods of classification, an excessive number of requirements and duplications with the reports. And the hard-pressed statisticians at the basic level find it impossible to render service to those in leadership positions in enterprises and the masses. That is why the drawing up of an efficient, simple, and yet relatively stable system for compiling statistical reports by enterprises is a matter of great urgency.

The drawing up of a system for the compilation of such reports should be carried out according to the following principles: (1) There should be fewer but better reports. Statistics should faithfully reflect the situation and problems that have cropped up in the course of reform of the economic system. It should reflect the many problems that have emerged during the reform of the economic system, these problems cannot be expected to be reflected by comprehensive reports, except by the use of various ways for the compilation of statistical reports. Comprehensive reports are confined to basic and relatively static international indices. (2) To meet the need for developing the statistical system.

it is necessary to establish an organic link between the exercise of micro-economic control and the enlivening of microeconomic operations. (3) It is necessary to assimilate the experiences in statistical work being done in the East and the West and to adopt a system of making statistical reports that meets the needs of our nation. (4) Efforts should be made to unify the three methods of auditing. (5) While we should proceed from the present situation relating to statistical work being done by the enterprises, we should also be mindful of the need to adopt modernized methods of control over the compilation of statistics.

On the basis of the above principles, we should lay emphasis on the solution of the following problems while engaging in the reform of the existing system for the compilation of statistical reports:

1. How are we to determine the best index for the total value? For a long time, China has used gross output value to reflect the final output of industrial enterprises. It is relatively simple to arrive at gross output value. However, the inclusion of the transferred value represented by material consumption is often not taken into account. The more minute the division of labor, the greater the duplication of functions, and the larger the increase in production value, the more difficult it is to arrive at statistics that accurately reflect industrial growth. For this reason gross output value is not a perfect overall indicator of industrial production.

On the basis of the Seventh 5-Year Plan, some comrades, pointing out the need for the state to take into consideration the gross production value in society and the GNP, have proposed that enterprises should take into account added value which provides an ideal index for evaluating industrial enterprises. By the added value of industrial enterprises is meant the added value represented by industrial products turned out during a fixed period of time. The method of calculation is to subtract from the added value the difference between the purchasing price of intermediate consumption products and the incomes and expenditures minus the cost of labor. The pattern of values is a combination of profits, taxes, interest, wages, welfare funds, and depreciation. These comrades are of the following views: (1) The use of added value is in line with the need for strategic development. Added value is better than gross production value and marketing production in that it can eliminate duplicate calculation of intermediate production and determine the status of the various types of enterprises in the creation of their final products. (2) The use of added value, based on actual figures, is better able to reflect the final achievement of enterprises in the entire process of their production operations, to encourage enterprises to produce commodities in demand, and to achieve uniformity between statistical accounting and bookkeeping accounting. (3) The use of added value is better able than production value to reflect the overall benefits of increased production, on the one hand, and of economizing, on the other, because it deducts from the net value of services supplied by the nonmaterial production departments and makes it possible for the enterprises to lay more emphasis on the circulation of funds, the reduction of the various labor costs, and the increase in the salvaging of the three wastes [gas, water, and industrial residue], etc. (4) The use of added value not only establishes a link with the overall index

system of the national economy, but also break down the various levels within enterprises because, calculated on the basis of actual figures, it is better able than net production value to determine the distribution relationship of benefits among the state, the collective, and individuals, and to motivate the enthusiasm of the enterprises and their staff workers. One flaw in the use of added value is that it is still affected by the unreasonable prices of products and hampered by the failure to produce accounting reports on time.

2. The problem relating to the reform of the index system for economic effectiveness remains to be solved. There exists at the present time two separate systems for assessing the economic effectiveness of industrial enterprises. One was formulated and issued by six organizations, including the State Economic Commission, and the other by the State Statistical Bureau to the key enterprises in the cities requiring them to fill in forms and to report to the authorities. The two systems are redundant. The first system is like a large plate of hors d'oeuvres with numerous targets but no unity in specifications. Added to the two systems are quotas raised at each level by the departments and localities so that when they are handed down to the enterprises, the amount of work is so voluminous that some of the enterprises find themselves at a complete loss as to how to file reports and the hands of the factories are tied.

3. There is need to establish a vertical and horizontal relationship. Because of the lack of uniformity in vertical and horizontal requirements, some enterprises have to fill out two or more sets of reports. For this reason, when the system for the standardization of statistical reports for industrial enterprises is being formulated, it is necessary to properly unify the statistical requirements made by the state and the departments. It is best to produce basic standardized forms and related catalogs based on the catalogs of products and technical and economic targets produced by the various departments. There should be no changes in the system has been adopted. This method may entail extra work, but unless the problem is resolved, even more glaring contradictions are likely to occur once modernized calculating techniques have been adopted.

The reform of the statistical report system is an extremely complicated piece of work with far-reaching consequences. The set of reports for industrial enterprises has been adopted on a trial basis by a few enterprises in Shanghai and Shenzhen. At a time when the three methods of business accounting are still lacking in uniformity, there is urgent need to render assistance to statistical workers in enterprises at the basic level in the acquisition of financial statistical materials. The final list of statistical targets listed in the state statistical reports should be formulated in a unified manner by the Ministry of Finance and provision should be made for the financial departments at the basic level to supply such material at regular intervals. Statisticians holding concurrent jobs in the financial departments at the basic level should approach their financial statistical work in a conscientious manner. That is the cherished desire of workers and of financial statisticians at the basic level.

/3. The work of making statistical analyses and forecasts should be vigorously developed so that better use may be made of statistical services and supervision./

Statistical analyses and forecasts are the end products of statistical work and one of the major means for rendering statistical services. The reform of statistical work at the basic level can be approached from different directions. However, if statistical work is to be taken seriously by those in leadership positions in the enterprises, it is most important that the work of making statistical analyses and forecasts should be strengthened. For example, the motor vehicles and spare parts factory of the transportation department in Hebei Province is a specialized factory for producing trailers. In 1984, the overall statisticians in this factory, having learned that the automobile industry throughout the nation was about to increase sharply the amount of production and anticipating a sharp increase in the demand for trailers, proposed to increase trailer production 20 percent. This proposal was accepted by the factory director. In the first half of 1985, sales of trailers exceeded the highest level in history and those in charge of the factory raised the wages of most statisticians by one grade. In the same year, these statisticians, learning that the state was about to exercise control over the scale of capital construction and credit loans, that the price of automobiles would go up, and that there would be an increase in the number of imported motor vehicles, proposed that there should not be too sharp an increase in the production of trailers in 1985, that new products should be developed to a proper extent, and that the production of trailers should be limited during the second half of the year. On the basis of their proposal, those in charge of the factory revised their plans and publicly commended the statisticians at a meeting of staff workers in the entire factory. Thus, the work of compiling statistics has played a vital role in determining the production policy of the factory and the status of statisticians has been greatly elevated.

/4. It is necessary to establish a second system for statisticians and basic statistical work by implementing the economic responsibility system./

With a view to organizing statistical work effectively and scientifically and ensuring the accuracy and timeliness of statistical data, the state promulgated the "Statistical Law" at the end of 1983. Judging by the experience of the enterprises which have done well in statistical work, it is necessary, in order to implement the "Statistical Law" more satisfactorily, to take into account the actual circumstances of enterprises in establishing a sound system for the compilation of statistics and to put it into effect by tying it in with the economic responsibility system. For instance, on the basis of the situation pertaining to enterprises, the Zhongyuan Radio Factory in Wuhan drew up the "Statistical Work System" setting forth 10 requirements, such as the nature of statistical work done by the enterprises, the tasks and demands of statistical work, the establishment of statistical setups, the division of labor, original records, statistical reports, statistical tables and accounts and their management, the building up of various types of statistical charts, the management of statistical figures, investigation, research, and statistical analysis, and supplementary articles.

The "Statistical Work System" also set forth in detail the scope of the work and responsibility of statistical workers in the divisions, offices, and workshops. The Zhongyuan Radio Factory, by establishing a close link between this system and the economic responsibility system, by checking up on a regular basis the work being done and by demoting those violating regulations, has greatly heightened the sense of responsibility of those in leadership positions and statistical workers and enabled the enterprises to maintain good discipline in their statistical work. The fact that those in leadership positions no longer interfere with statistical figures, that each and every unit is held accountable for each statistical item and figure, and that each piece of work is placed under the management of a specific individual has greatly improved the timeliness and accuracy of statistical figures and ensured the vertical and lateral coordination of the statistical network and the unimpeded circulation of information.

/5. The way to develop statistical work done by the enterprises is to make use of electronic computers in dealing with, transmitting, and storing statistical data./

The establishment of statistical information centers by enterprises and the unified management of statistical data of an entire factory represent to a certain extent an improvement in the management standard of enterprises. However, the management, transmission, storage, and display of information have yet to achieve an advanced level. Although there are not at the moment many enterprises which have adopted the use of electronic computers, the experience gained by a few enterprises indicates that it has greatly facilitated policymaking in the management and operations of the enterprises. At the same time, the use of electronic computers, which has contributed to the improvement of basic statistical work, is indicative of the direction in the development of statistical work done by large and medium-sized enterprises. For example, the steel tube factory in Wuhan, having purchased five sets of STM-PC computers, has developed seven systems for the management of warehouses, operational policymaking, historical materials, technical and economic information, personnel files, direction for production operations and joint management, and eventually the development of a financial system. According to preliminary findings, the use of electronic computers in statistical work has resulted in the following: (1) The heightening of the timeliness and accuracy of statistical data and facilitating policymaking in production and operations by those in leadership positions. (2) The promotion of basic statistical work and heightening of economic effectiveness. In the past, in order to understand the spare parts storage situation, one had to leaf through numerous account books. Now, the steel tube factory, by using 20-odd data in taking an inventory of over 2,000 spare parts, by feeding a set of sorted out basic statistical data and the data covering the incoming and outgoing rate of flow at any particular time into the computer, is able to get on top of the inventory situation covering the different categories of spare parts after they have been processed by the microcomputer. When drawing up its program, the factory, by observing the pattern as reflected by the data and by reducing reserve funds to the minimum, has greatly speeded up the circulation of funds and achieved greater economic effectiveness. (3) The systematic processing of the data and the production of a budget plan have

helped the factory director to make decisions in his operations. In the past, whenever the factory took on a processing job, the director had to assemble all those in charge of the divisions and offices to study the project over and over again. By using the computer, the factory is now able to use the various existing quotas and such information as actual figures to engage in processing in a systematic manner and to arrive at several forecasts for the reference of those in leadership positions.

However, in view of certain problems that remain after some of the enterprises have adopted the use of electronic computers, we believe there is need for the entire nation to unify the program to a further extent by deciding what model of the microcomputer should be put to use. It is known that certain enterprises, by importing at random unsuitable small machines with limited capabilities, have incurred wastage. The use of the microcomputer requires the existence of an information network, a sound quota system, a standardized catalog of products, a classification of trades and businesses, a standardized serialization system, the standardization of basic work and personnel suited to the work. That is a problem to which the leadership departments must address themselves without delay. The various specialized trades and businesses in the nation have now resorted to the pooling of their resources. Unless there is a correlation between the needs of the specialized trades and the regions, the adoption of modern methods of management in the statistical work of the nation and the regions will be hampered.

/6. It is necessary to adopt multispecification and multilevel training methods to improve the quality of statistical workers in enterprises to meet the needs of modernized statistical work./

In recent years, the state and the localities have provided training to many in-service statistical workers by organizing lectures on statistics on television, by establishing correspondence schools, and by commissioning institutions of higher learning to offer training courses. However, there remain many statistical workers in enterprises who, either because of their heavy workload or because of their low cultural standard, have yet to be provided with training. The many in-service statistical workers in enterprises must henceforth be given multispecification and multilevel methods of training. Aside from using television and correspondence schools and commissioning schools to provide training, the statistical institutions at various levels must organize specialized short-time classes and special secondary schools to disseminate the statistical knowledge. They should also organize statistical study (mutual help) groups in the various regions to promote mutual help and mutual study activities according to the various trades and businesses among the masses. Experience gained in the establishment of industrial and communications statistical study groups in Wuhan indicates that this is an excellent method for speeding up the training of the specialized statistical contingents in the enterprises. Generally speaking, statistical study (mutual help) groups require statistical cadres well versed in their operations and keenly interested in statistical work to serve as key workers and the statistical bureaus must have specialized personnel to establish coordination and to offer guidance. The statistical study (mutual help) groups must recognize the need of the enterprises and the central task of statistical

work at different periods and organize their activities accordingly. Activities can take a variety of forms, such as the establishment of training classes, informal discussions on special subjects, organization of visits to advanced units for observation and study, the mutual checking of work quality, and the exchange of information. In short, it is necessary to use a variety of training methods if we are to continue to upgrade the quality and the skill of statistical workers.

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CSO: 4006/1223

ECONOMIC DEVELOPMENT ZONES

OPEN CITIES' PRESSING PROBLEMS DISCUSSED

Beijing JINGJIXUE ZHOUBAO in Chinese 22 Jun 86 p 6

[Article by Zhang Hua [1728 5478] of the Fujian Province Trade Commission: "Judging From Fujian--Some Pressing Problems Facing Open Cities"]

[Text] The Central Committee has decided to designate 14 cities nationwide as open zones. For Fujian, this is manifested in four levels: 1. The Xiamen SEZ where certain free port policies are implemented; 2. The open city of Fuzhou; 3. Fuzhou's economic and technological development zone; 4. the southern Fujian, or Zhangzhou, Quanzhou Xiamen Triangle Development Zone. Each different level has its own particular needs and tasks. Although the natures of these four zones differ, as regards circulation, their tasks are the same. That is, as windows to the outside, commerce in the "four zones" must be made to fully realize the development of China's socialist spiritual civilization, in particular, successes in production and speed in construction. As for circulation, since the SEZ, development zone, open zone, and open city represent four different types of open regions, they must not only fulfill the general demands of the Central Committee, but should also have special demands made of them. These are an abundance of commodities, technology and equipment modernized to a definite degree, enthusiastic and complete service, and the ability to satisfy various needs at all levels in serving the open cities. Without a developed tertiary industry, there cannot be good primary and secondary industries in these open zones, a fact which will have a detrimental effect on attempts to attract foreign business and trade and make difficult the realization of the major tasks of the open cities. To realize these demands, the following problems must be resolved:

1. The commodity price problem. The enterprises must have more autonomy over commodity prices. This is a prerequisite for stimulating the economy. At present, the differences between buying and selling prices are still small, and remain at the approximate 11- to 13-percent range set in the 1960's and even 1950's, which is not even enough to meet costs for some commodities, has a negative effect on the expansion of circulation, and is possessed of many flaws. Now that interest rates have risen, losses are incurred within 2 months. The largest buying and selling price gaps are at 30 and 40 percent and even 50 percent for some commodities. So to resolve this problem, it must first of all be resolved in the 14 open cities.

2. Delegate some authority over prices to the enterprises while maintaining the overall commodity price level. One is called the quality price difference. For example, prices for Grade A and B cigarettes sold by peddlers could be freely raised, while prices of Grade C and D cigarettes could be lowered. This would make sales very easy for the peddler but would put state-run commercial units and supply and marketing cooperatives in a very difficult position-- (i.e., they would be unable to compete). If the problem of quality price differences is not basically resolved, it will not only lead to a growth of unhealthy tendencies and economic crime, but will add to the difficulty of market management as well. The second is the problem of price differences for different varieties of products, for the same prices for excellent clothing and poor, and even old-fashioned clothing. Prices for extremely attractive products are the same as for unattractive items. In Hong Kong, the cost of making a pair of blue jeans is about HK \$40. If they are well designed and of a new style, they can be sold for HK \$200, or even a little more. When an old-fashioned poorly-selling line is being eliminated, it can be sold for HK \$10 or even less. The price differential there is quite a large one. What can the enterprises do with these out-of-date, poor-selling items without autonomy? If these items are not sold coupled with other products, the enterprises are left with a headache of major proportions. Price differentials for different batches and seasonal price differences show the same tendency.

Third, with the exception of grain for which unified pricing is implemented in the SEZ, fluctuating prices are used for a minority of major commodities related to the state plan and living standards, and most have implemented free pricing. We are now in the midst of experimenting with this. Fluctuating prices are superior in numerous ways. They reflect the superiority of planned pricing, but also are limited in scope, will not go rampant and manifest the flexibility of free pricing.

Fourth, we must strive to greatly expand the supply of commodities and increase product variety in order to improve commodity turnover and circulation and increase foreign exchange earnings. At present, the commodity market mix in the "four zones" is: 1. The legitimate needs of the residents; 2. tourism consumption; 3. compatriots (from Hong Kong, Macao, Taiwan, and overseas) returning to visit relatives; 4. needs of the dependents of overseas Chinese living in China. There are 7 million overseas Chinese in Fujian. How to fulfill these diverse, multilevel needs is an extremely important task. In addition, according to estimates from the appropriate sources, there is a fairly large volume of foreign exchange on Fujian's markets, which will necessitate the guided, controlled creation of foreign exchange shops in the "four zones" to absorb large amounts of foreign exchange.

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CSO: 4006/1218

ECONOMIC DEVELOPMENT ZONES

FUZHOU'S MAWEI DEVELOPMENT ZONE PROGRESSES

HK220913 Hong Kong ZHONGGUO XINWEN SHE in Chinese 0152 GMT 20 Aug 86

[Text] Fuzhou, 20 Aug (ZHONGGUO XINWEN SHE)--A number of projects in transportation, power industry, telecommunications, and housing have been completed in Fuzhou's Mawei Economic and Technological Development Zone.

At the beginning of this year, the Mawei Development Zone readjusted capital construction projects and the scale of development. An area of 1.7 square kilometers around Luxong Tower was designated as Luoxing Minor District, of which 0.6 square kilometers was called "the starting area" and efforts have been concentrated on development and construction in this area.

At present, a 6.7 kms road has been completed and opened to traffic in the "starting area." Besides, the project to expand the first-grade highway from Fuzhou to Mawei has also started in an overall manner and drilling of two of the four tunnels has been completed. It is expected that the other two will also be completed by the end of August. By the end of this year, half the width of the whole highway will be paved with asphalt and opened to traffic. The whole project will be completed by the end of next year.

In order to solve the problem of power shortages, the development zone has gone all out in developing the power industry. The construction of several large power plants is in full swing. The Hongshan Power Plant, with a 75,000-kilowatt gas turbine, was completed last month and the expansion project for the substation will enter the installation stage during the third quarter. The first phase of construction of the 700,000-kilowatt Choudong thermal power station in Changle County will be completed in 1988.

Regarding the telecommunications system, the equipment for a system with 2,000 program-controlled telephones has been imported from Japan. Installation work is under way and the system is expected to be put into operation by the beginning of November.

Since the beginning of this year, the development zone has also made great efforts in building houses. Five factory buildings, with an area of 57,000 square meters, in the "starting area" have been accepted and made available for users. Two commercial buildings and dormitories for unmarried electronic workers are being decorated and will soon be made available to users.

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CSO: 4006/34

ECONOMIC DEVELOPMENT ZONES

HEILONGJIANG CITIES, JILIN PREFECTURE FORM ECONOMIC ZONE

SK300346 Harbin Heilongjiang Provincial Service in Mandarin 0900 GMT 29 Aug 86

[Text] The cities of Qitaihe, Jixi, and Mudanjiang in Heilongjiang Province formalized an agreement in Harbin City on the morning of 29 August with Yanbian Korean Autonomous Prefecture, Jilin Province, with regard to establishing an economic cooperative zone along the Mudan Jiang valley.

At the ceremony for signing the agreement, the representatives from both sides held that localities along the Mudan Jiang valley not only have their own unique economic strong points, but also are closely and naturally connected with each other by history and geography. The establishment of a cooperative zone among these localities has a vital bearing on accelerating the development and utilization of natural resources, the pace of scientific and technological progress, and building the economy. Representatives from these cities unanimously agreed on establishing lateral economic associations and technical coordination in various fields.

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CSO: 4006/34

ECONOMIC MANAGEMENT

MINISTER OF COMMERCE ON COMMERCIAL REFORM

Beijing BAN YUE TAN [SEMI-MONTHLY TALKS] in Chinese 25 Apr 86 pp 50-52

[Article by Liu Yi, Minister of Commerce: "Develop Horizontal Ties To Promote Commercial Reform"]

[Text] In the past few years, China's commodity circulation system has undergone a series of reforms and made great progress. According to the demand for developing a planned socialist commodity economy, in 1986 the commercial reform should continue to implement the decision of the central government on the reform of economic system, carry out the principle of "consolidating, assimilating, supplementing and improving," vigorously promote horizontal economic ties in the sphere of commodity circulation, experiment with new forms of commerce, add new commercial channels, straighten out the wholesale system, invigorate enterprises, and promote market prosperity.

In the past few years, the commercial reform has indeed made some achievements. With regard to the policy of commodity procurement and marketing, the unified and designated procurement of farm and sideline products and the unified procurement and monopolized marketing of manufactured goods for daily use have been abolished completely, the number of commodities controlled by plans has dropped from previous 188 to 23, and the scope of market regulation has continued to expand. With regard to the form of commerce, state-run, collective and individual commerce have developed simultaneously, thus readjusting the commercial structure of society. Of the total retail sales of social commodities, state-run commerce accounted for 40.5 percent, supply and marketing cooperatives accounted for 19 percent, other collective commercial units accounted for 17.7 percent, individual commerce accounted for 15.7 percent, and other forms of commerce accounted for 7.1 percent. With regard to wholesale commerce, state-run wholesale commercial units have begun to change such practices as fixed supply areas and targets and the fixed-commission pricing system. Except for a few planned commodities, they have practiced free and selected purchasing and free market promotion under the guidance of state plans. To develop the functions of central cities, all first-tier stations handling daily necessities previously under the control of the Ministry of Commerce have now been placed under the control of cities where they are located and about 86 percent of second-tier stations under provincial control have been placed under the control of lower administrative levels. In addition, a group of trade centers and wholesale

markets have been established. More and more plants are changing to producer-dealers and sell commodities directly to commercial units and large- and medium-sized retail enterprises in marketing areas by wholesale, thereby reducing the number of circulation channels. With regard to the reform of state-run commercial enterprises, most large and medium-sized enterprises have expanded enterprise decision-making power and adopted various forms of management system of contracted responsibility; small enterprises have adopted the practice of collective management under state ownership or switched to collective ownership and various other open forms such as collective or individual management through lease or rent agreements. By the end of 1985, state-run small enterprises which had been open accounted for 75 percent of all small enterprises throughout the country. Practice has proved that these reforms have played a positive role in accelerating production, unclogging circulation, promoting market prosperity, and guaranteeing supply.

Although above reforms have been carried out in the sphere of circulation, commodity circulation is still restricted to a certain degree by central and local authorities. Because of this, great efforts should be made to develop and push horizontal economic ties with enterprises as foundations, commodity purchase and marketing as main contents and central cities as supports. Various forms of integration should be established between industry and commerce, between agriculture and commerce, among agriculture, industry and commerce, between different commercial units, areas, departments, and between enterprises of different ownership systems. It is necessary to experiment with joint wholesale operations between plants and commercial units in marketing areas, the integration of industry and commerce, trans-regional and inter-departmental incorporated enterprises for durable consumer goods, joint operations between main production and marketing areas for major non-staple foodstuff such as pork, poultry, eggs, vegetables, and fruits, and integration between large retail stores, wholesale and retail stores specialized in small commodities, and free markets. State-run commercial facilities should vigorously open up to society so as to facilitate the establishment of new forms of commerce and new circulation channels.

Conscientious efforts should be made to make a success of trade centers and wholesale markets for they are the hub of horizontal economic ties in the sphere of circulation and places providing multi-purpose services for commodity wholesales. Trade centers should adhere to the open style, focus on service, and use different forms to attract producers and dealers to come to the centers so that they can meet and strike a deal in person. Large and medium-sized cities should, if needed, establish non-staple food wholesale markets for pork, poultry, eggs, and vegetables so as to provide sites for commodities transported for sale directly by producers and for multi-channel operations.

It is necessary to straighten out the wholesale system. The internal relations of state-run wholesale commercial units have yet been completely straightened out, management methods have no drastic changes, and there are still too many channels; therefore, reforms should be carried out continuously. Wholesale commercial units in production areas should help plants establish links with and sell goods directly to wholesale commercial enterprises and large and medium-sized retail enterprises in marketing areas.

At the same time, they should, according to market demands, vigorously deal with local and non-local products and gradually change from the management type to the management-service type. After wholesale stations are placed under the control of the cities where they are located, they should form wholesale companies according to the principle of "division of specializations." The internal operations of wholesale companies should also practice the division of specializations.

State-run large and medium-sized commercial enterprises which occupy an important position on the market should be further invigorated. It is necessary to continue to delegate powers to enterprises and ensure that wholesale companies and large and medium-sized retail enterprises have independent decision-making powers in production, supply, marketing, personnel, finance, and material resources. All large and medium-sized commercial enterprises may engage in diversified management on the basis of doing a good job in their own line of work. They may also set up branches locally or in other areas. It is necessary to increase enterprises' ability to transform and develop themselves and gradually realize the standardization of enterprise management.

We should continue to unleash state-run small commercial enterprises, further clarify policies, solve concerned problems, gradually improve those small enterprises which have already been unleashed, and hasten the step in unleashing those which have not been unleashed. Those enterprises whose status has been changed to state ownership under collective management should implement the financial and accounting system of collective enterprises. Those small enterprises which have been treated as collectives should place their newly-acquired assets under the ownership of collectives. Small enterprises dealing mainly with labor services such as hairdressing, bathing, repairing and catering services should abide by relevant rules and regulations in regard to their wage system.

The commercial reform should make greater progress in 1986. Through the commercial reform we should strengthen the building of the ranks of workers, correct commercial practices, improve service quality, promote market prosperity and stability, and bring about a brand new look of commercial work.

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LI YINING GIVES VIEWS ON ECONOMIC REFORM

Hong Kong LIAOWANG [OUTLOOK] OVERSEAS EDITION in Chinese No 27, 7 Jul 86 pp 6-7

(Article by Xu Xu [1776 1776]: "Li Yining's Thoughts on Economic Reform")

(Text) The May Fourth Movement commemorative Economic Science Conference held at Beijing University presented a grand occasion of the assembling of several hundred youths devoted to reform. Discussions were conducted seven evenings and debate was opened centering on the two major themes: "Trends in Chinese Economic Reforms" and "Trends in the Development of Chinese Economic Studies." More than 20 people vied to take the stage, each expressing his or her own personal views. The atmosphere remained lively throughout.

The chairman of the conference was Li Yining [1935 1915 1960], head of Beijing University's economic management department. He separately summarized the two themes of discussion. The title of his first summary was "The Basic Principles of Reform," also called "The First 26 Articles." The title of his second summary was "The Prospects of Chinese Studies," namely, the "Last 28 Articles." After these views were successively published in the PEOPLES DAILY, the BEIJING EVENING NEWS, and the WORLD ECONOMIC REVIEW, they soon attracted wide interest, particularly the last 28 articles. Repercussions went far beyond economic circles.

People valued Li Yining's articles, not only because he proposed a complete set of new ideas on Chinese economic reform, among them such important views as "the success of Chinese economic reform hinges upon reform of the system of ownership," but also because Prof Li Yining serves as a representative figure for a school of thought in Chinese economic circles. He is an influential expert in Chinese economic reform.

A few days ago, this correspondent was fortunate to find himself in Li Yining's home, which has bookshelves lining the walls and books completely covering desks, for a lengthy conversation. In recent years, Li Yining has been busier than other university professors. In addition to teaching, he often participates in counterpolicy symposiums concerned with, for example, surveying and consulting on investment, prices, wages, finance, and various other system reforms convened by state policy centers, and participated in discussions on overall planning for China's economic system reform and the Seventh 5-Year Plan, etc.

Li Yining told this correspondent: "Chinese economists have played a role in national policies, but this role is not expressed in any individual but rather in the collective wisdom.

In this collective body of wisdom, Li Yining has his own strong points and superiority. He said: "Originally, I studied socialist economics, later I turned to the study of Western economics. Now I have returned to studying socialist economics. I have come into contact with both Eastern and Western economic theories, therefore my range of knowledge and vision is somewhat wide and methods of research more numerous."

Li Yining, who will be 56 years old this year, graduated with outstanding marks from the economics department of Beijing University in the 1950's. As a student, he specialized in planned economy and most admired the Polish economist Lange Aloska [5695 2706 1159 2448 0595]. But after graduation, he had the misfortune not only not to be assigned work as a teacher but to be assigned to the school library as reference staff--a position he held for nearly 20 years.

The loss at sunrise proved to be a gain at sunset. In the long years as a reference librarian, Li Yining by means of the hidden books in the Beijing University and even the foreign magazines whose subscriptions were not canceled during the Cultural Revolution began to devote himself to the study of modern Western economics. Li Yining, looking back at this experience, said: "When comparing Eastern and Western theory, I believed more and more that some socialist economic thought was too rigid and the method of analysis used was also outmoded. I tried to apply some Western economic research results to my own economic theories."

After the fall of the Gang of Four, Li Yining's talent was revealed. Beginning in 1979 he introduced modern Western economics to China, and often gave courses in this area to Chinese economic departments leaders. At Beijing University, he successively offered 11 courses, including "An Outline of Western Economics," "An Outline of the History of Economics," "International Financial Theory," "Educational Economics," etc. In the past few years, his writings have continuously been published. In the practice of teaching and scientific research, Li Yining has constantly tested and verified and enriched his own theories. China's unfolding urban and rural economic reform is giving impetus to the renewal and growth of Chinese economic theory, as well as promoting him to establish his own unique system of economic theory.

Unlike traditional political economic study which primarily studies the relationship between production forces and production, Li Yining focused his research on the motion of socialist economy, therefore some people refer to this school of thought represented by him as the "Economic Motion School."

Li Yining introduced his academic view to this correspondent. He said: "Simply outlined, there are three theories and three sets of ideas. The three theories are: "The second adjustment theory," "equilibrium is not the goal theory" and "the ownership system reform theory," and the three levels are: "system, goal, and people."

The major significance of the commodity economy in the growth of the Chinese economy has already been acknowledged by Chinese economic circles, but how to handle the relationship between planned adjustment and market adjustment is still being debated. The "second adjustment theory" advanced by Li Yining considers that the market adjustment and the planned adjustment mutually adjust and complement each other in a socialist economy. Market adjustment is the first adjustment and governmental adjustment is the second adjustment. Governmental adjustment must take the function of the market adjustment as the starting point, it exists for the purpose of supplementing the deficiencies and restrictive nature of the market adjustment. Therefore, planned prices must use as a basis for the various prices established by market adjustment.

Li Yining's "equilibrium is not the goal theory" is different from the principle always stressed in economic reconstruction of the four great equilibriums: ensure a balance of finance, credit, commodities, and foreign currency to make supply slightly larger than demand. He believes that in the development of the socialist economy, equilibrium itself is not the goal, but rather it is a method of analysis, a starting point for analysis. Equilibrium is a method of analysis, helpful in clarifying the link between society's general supply and demand. He pointed out that under present conditions in China, "demand slightly greater than supply" is realistic in nature, but on the contrary "supply slightly greater than demand" is currently impossible. China's economy must adapt to the realities of demand slightly greater than supply and draw up a suitable policy to maintain the vitality of the economy.

The "ownership system reform theory" is the nucleus of Li Yining's theory. His most impressive idea is: If the reform of China's economy fails, it will very likely be because of the failure of price reform. But success will only mean depend upon price reform, but rather upon reform of the ownership system. This is because price reform is reform primarily aimed at creating an environment suitable for the development of a commodity economy. However, only reform of the ownership system can truly involve issues of profit, responsibility, incentive, and motivation.

The basic model of reform of the ownership system envisioned by Li Yining is the implementation of stock issues, a system of stock control, and the establishment of socialist corporate financial groups. He told this reporter, "From now on, China's industrial output capacity might become quadrupled. At the one extreme would be the several hundred major stock enterprises controlled by socialist corporate financial groups. These enterprises would have a very large proportion of the entire nation's output value and the most advanced technology would emerge from here. On the other end would be the several tens of thousands and hundreds of thousands of town and township enterprises. These two would have a division of labor with the former deciding China's economic direction.

This January, Li Yining at Beijing University for the first time offered a completely new course called "Socialist Economics." It centers on his theories, with a complete analysis of the various phenomena of the workings of the socialist economy. The major works representative of his economic

theory, "The Study of Socialist Economic Politics" and "System, Goal, People--The Challenge Facing Economic Study," will soon be published by the Commercial Press and the Heilongjiang People's Publishing House, respectively.

In Chinese economic circles, the school of thought represented by Li Yining is a blend of China and the West and a rather liberal school. As for his theoretical views, there are supporters, and there are many who do not agree and even oppose his views. Li Yining believes this school of thought still has not become mainstream in China but said with great confidence: "Economic studies are being revived. China's economy finds itself in a period of transition from an old system to a new system, economic research cannot stop at its original level. To hold individual formulas and individual conclusions in the classic works as eternal, unchanging doctrine is not preserving Marxism but rather misinterpreting Marxism. The historical mission of economists lies in developing Marxism in accordance with the actual situation in China and only in this manner can a brand new Chinese school of economic thought emerge."

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INDUSTRY

PRODUCTION OF LIGHT INDUSTRIES SHOWS STEADY INCREASE

Beijing ZHONGGUO QINGGONGYE BAO in Chinese 10 Jul 86 p 1

[Article by Zheng Baiyu [6774 2672 1502]: "Production of Light Industries Increases Steadily by 50 Percent"]

[Text] In the first half of the year, the total production value of the light industries in the nation came to 84.3 billion yuan, or over 50 percent of the quota for the year "in terms of time and production value."

Faced with a serious shortage of raw materials, energy, and funds during the first half of the year, the production units of the light industries, by making unremitting efforts to bring about reforms, developing lateral economic relations, taking advantage of the support given by the party and political leadership departments and conscientiously implementing the "Six Priorities" policy of the State Council, has been able to develop the light industries in a balanced and coordinated manner. According to the person in charge of the Production Technology Department of the Ministry of Light Industry, production for the first half of the year was marked by the following special features:

First was the more rapid pace in the rate of increase. The rate of increase achieved by the light industries was rather rapid during the first half of last year. On the basis of the large production base, the total production value of the light industries, not counting tobacco, came to 76.3 billion yuan up to the end of July, showing an increase of 8 percent compared to the same period last year. Including tobacco, the gross production value came to 84.3 billion yuan, showing an increase of 8.9 percent compared to the same period last year. During the first half of the year, the light industries were able to achieve 50.2 percent of the 8 percent increase in gross production value set by the state for the entire year.

Second was an increase in the production of products in demand in the market. By the end of June, the production of sugar showed an increase of 25 percent; crude salt, 21.4 percent; beer, 27.6 percent; and refrigerators, 40 percent compared to the same period last year. There was also a considerable increase in the production of glassware for daily use, synthetic detergents, wrist watches, stainless steel products, cigarettes, machinemade paper and cardboard.

Third was the steady improvement in the quality of light industry products over that of last year. That was especially so for high-quality and name-brand products. Following a period of overhaul last year, the quality of such products was not only consistently high, but is likely to be further improved.

Fourth was the gradual increase in the export of light industrial products. Since the beginning of the year, the implementation of the policy to encourage exports has served to motivate the enthusiasm of the enterprises and their staff workers. From January to May, the cumulative total of the value of exports delivered by the second light industry department in Zhejiang Province showed an increase of 69.9 percent, that by the second light industry department in Shandong Province showed an increase of 37.2 percent, while that by the first industrial system in Guangdong Province showed an increase of 26 percent compared to the same period last year. The amount of light industrial products exported by other major provinces and cities also showed various degrees of increase.

Nevertheless, many problems were encountered by the light industrial enterprises in the process of production during the first half of the year, including the less than ideal degree of economic effectiveness, the increase in the cost of production, the drop in profits, and the large number of enterprises suffering losses. Furthermore, certain products did not have a ready market, while clothing, matches, and candies were overstocked. With a view to increasing economic effectiveness, the light industrial systems in various areas are presently engaged in actively mobilizing the masses to promote labor competitions to fulfill the overall plan for the year.

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INDUSTRY

MACHINERY INDUSTRY MUST EXPAND TO MEET SEVENTH 5-YEAR PLAN

Beijing RENMIN RIBAO OVERSEAS EDITION in Chinese 21 Jul 86 p 3

[Article by Wang Zheng [3769 2973]: "Make Full Use of the Golden Era in the Development of the Machinery Industry"]

[Text] During the Seventh 5-Year Plan, the machinery industry faces the following situation: on one hand, the nation is making unprecedented demands on the industry and, on the other hand, the nation is offering an unprecedented opportunity to the industry. This opportunity must be fully appreciated and exploited.

When a leading comrade from the State Council toured the machinery industry in Henan, he said, "Now is the golden era for the development of machinery industry."

It truly is so. The machinery industry expanded greatly during the Sixth 5-Year Plan. About 26 percent of production reached 1970's or early 1980's standards. In 5 years, 6,200 new products were developed and 800 advanced technologies were imported from abroad, thus providing conditions for the expansion of the machinery industry during the Seventh 5-Year Plan.

During the Seventh 5-Year Plan, the nation will place heavy demands on the machinery industry. It must supply all manner of technical equipment to every sector of the economy, such as large-scale coal-fired, hydropower, and nuclear electricity generating equipment, and chemical industry, cement, mining, and metallurgical equipment. During the Seventh 5-Year Plan, there will also be demands for increasing use of domestically produced equipment to substitute for imported equipment. In 1985, the specialized equipment, systems, vehicles, and other equipment that China imported was roughly equivalent to one-half the annual sales of the entire system under the Ministry of Machine-Building Industry. Much of the demand for domestically produced equipment is for advanced products. During the Seventh 5-Year Plan, 70 percent (by weight) of the equipment needed in the second phase of the Baogang Steel Plant project will be manufactured domestically. The machinery industry must assume this heavy load.

In 1985, China's machine exports were only 4.7 percent of total exports. This proportion not only is much lower than that in economically developed countries, it also is lower than in many developing countries, too. During

the Seventh 5-Year Plan, there should be a significant expansion in machine exports. The exports should address the needs of the international market. Some enterprises should be pushed toward the international marketplace and be toughened.

New technical revolutions place new responsibilities on the machinery industry. Established industries are demanding that the machinery industry provide new equipment. Producers of new products are also demanding technically new equipment. The new technical revolutions will change the composition of materials and will significantly lower energy consumption. If this excellent opportunity is taken proper advantage of, the new technical revolutions can help provide a way to reduce the gap between China's machinery industry's standards and advanced world standards. It could also help loosen the constriction of energy and material shortages on the machinery industry.

In summary, during the Seventh Five-Year Plan, the machinery industry faces the following situation: on one hand, the nation is making unprecedented demands on the industry, and on the other hand, the nation is offering an unprecedented opportunity to the industry. This opportunity must be fully appreciated and exploited.

First, key projects should be emphasized. The 12 important technical equipment projects in the state plan are key projects. So too are the 440 technical equipment projects needed by various bureaus and offices. This equipment is vital to the nation's economy. The technical demands are high, the associated equipment is complicated, and time is short. These responsibilities, in terms of quality, quantity, time, and system integration, can further advance the standards of research, design, manufacturing, and management in the machinery industry. Of course the golden era for the machinery industry's development does not offer equal opportunities for all manufacturing or other enterprises. Each should select its own key points of emphasis and search out its own direction of attack, based on its own specific situation and on the premise of improving product quality.

Second, export channels must be expanded. During the Seventh 5-Year Plan, we not only must hold the markets in the Third World that we already have, we must also open markets in North America, Oceania, Japan, and elsewhere. We must be realistic and exploit our own strengths. During the Seventh 5-Year Plan, machine exports will primarily be medium- and low-quality lines. Gradually, more medium- and high-quality products will be exported, leading eventually to the export of entire systems. Progress must be orderly and not unrealistically ambitious.

Third, technical advances must be maintained. The machinery industry must strengthen research and continue to import and assimilate technology and critical equipment. The focus should be on technical advance. Full use should be made of research units and the research in higher education. Technology should be improved in key products, key enterprises, or key links. Total technical transformation should not be attempted.

During the Seventh 5-Year Plan, all work should place reforms at the top. Without reforms, the machinery industry would not have the excellent situation that it has today. Nor would it have the ever greater accomplishments of

tomorrow. At present, all enterprises under the Ministry of Machine-Building Industry have been released to central cities. All machinery enterprises under the ministry have been released. Once released, each industry must inaugurate its own management. The Ministry of Machine-Building Industry cannot favor enterprises that once were its own, nor will other ministries or localities be permitted to favor enterprises that were once their own. Each enterprise will stand on an equal basis.

12994/9869

CSO: 4006/1207

INDUSTRY

NEW TRUCK TEST-PRODUCED BY 'NUMBER ONE AUTO PLANT'

Changchun JILIN RIBAO in Chinese 16 Jul 86 p 1

[Article by staff reporter Zhang Xingwen [1728 5281 2429]: "The No 1 Auto Plant Test-Produces a Batch of New Trucks; Three Decades After the 'Liberation Brand' Went Into Production, It Changes the Model, Transforms Production, and Enters a Phase of Decisive Battle; Leading Comrades, Such as Duan Junyi [3008 0689 3015], Gan Zhijian [1626 1807 1017], He Guangyuan [0149 0342 6678], Gao Di [7559 3695], and Gao Dezhan [7559 1795 0594], Take Part in the Celebration"]

[Text] The general assembly plant of the Changchun No 1 Auto Plant was colorfully decorated for a festival on 15 July 1986, colored flags and balls hung everywhere, and gongs, drums, and horns sounded as one. The first new CA141 truck, draped with red silk and flowers, came off the assembly line at 8:50 am amidst the sound of hearty laughter, with a group of leading comrades from the Central Committee and Jilin Province zestfully riding in it. The birth of the CA141 truck shows that China's auto industry has reached a new level. In order to commemorate this happy occasion, the No 1 Auto Plant convened a grand mobilization meeting to mark its three decades of production, the change of model, and the transformation of production, and held a ribbon-cutting ceremony for the trial-production of the CA141 truck.

He Guangyuan, vice minister of the Ministry of Machine-Building Industry, and Gao Dezhan, governor of Jilin Province, spoke at the ribbon-cutting ceremony. Chen Zutao [7115 4371 3447], general manager of the China Automotive Corp, and Wang Jiatong [3769 1367 2717], mayor of Changchun, also spoke at the celebration meeting.

Duan Junyi, member of the Standing Committee of the CPC Central Advisory Commission, Gan Zhijian, vice minister of the State Planning Commission, and leaders from relevant state ministries and commissions, such as the State Planning Commission and the Ministry of Finance, took part in the celebration. Leading comrades, such as Gao Di, secretary of the Provincial Party Committee, Gao Dezhan, Zhang Shiyong [1728 1102 5391], member of the Provincial Party Committee, Huo Mingguang [7202 2494 0342] and Liu Shulin [0491 2885 2651], vice governors of Jilin, Liu Jingzhi [0491 2417 0037], member of the Provincial Party Committee, and Song Jiehan [1345 3381 3211],

member of the Central Discipline Inspection Commission, also took part in the celebration.

Model workers, advanced workers, and representatives in all areas who contributed to changing the model and transforming production, circled the plant in 20 new trucks at 11:40 am.

The first truck that was made in China, the Liberation, emerged from the No 1 Auto Plant three decades ago on 15 July 1956, thus ending forever our history of being unable to produce trucks. In the past three decades, the No 1 Auto Plant produced over 1.2 million trucks, paid to the state profits and taxes of over 6 billion yuan, or 10 times its original investment, and provided all areas throughout China with over 18,000 cadres and key workers and technicians. Moreover, it also trained a group of staff members and workers who have a good understanding and workstyle and dare to struggle, and made a major contribution to the state.

The No 1 Auto Plant also launched the struggle to change the model to the CA141 on 15 July 1983. This struggle was carried out under the most difficult conditions. All of the 480 million yuan needed to change the model came mainly from state loans and fund-raising by the enterprise itself. Thus, on one hand, the No 1 Auto Plant maintained production, increased output by every possible means, raising it from the past 60,000 trucks a year to 85,000 by 1985, and furthermore, improved quality to meet the criteria issued by the state for top-quality products. On the other hand, it performed the work of changing the model and transforming production while putting the Seventh 5-Year Plan into effect. This single-track system of changing the model and transforming production was absolutely unparalleled in China. The model for the Liberation, which was produced right after the building of the plant, was imported wholesale from the Soviet Union, but changing the model and transforming production for the CA141 truck was accomplished wholly on our own. Faced with the difficult double task, the many staff members and workers of the No 1 Auto Plant launched this second undertaking with high morale and a spirit of indomitable struggle. In the past 3 years, they attacked at once throughout the plant 14 parallel and overlapping fronts, such as testing and verification of products, testing of technology, and tackling of key problems, and the scope of the project equalled that of the original construction of an automobile plant. They have now finished over 80 percent of the whole project of changing the model and transforming production. Their major achievements are as follows: they have basically finished the task of building 130,000 square meters of new and expanded industrial structures and transforming 70,000 square meters of old workshops; they have finished manufacturing over 21,000 sets of assembly lines; they have fitted and tested almost 3,000 spare parts, and the whole project is progressing according to the requirements of the state plan.

The new test-produced CA141 truck has a load capacity of 5 tons, a top power of 135 horsepower, and a top speed of 90 km per hour; it uses 5.3 liters of gas per 100 km, and is up to advanced standards both in China

and abroad. Some of its norms reach the standards of the late 1970's and early 1980's in its class; it looks better than the old Liberation model and is much improved in such areas as stability, power, economy, and braking. But the new CA141 truck was test-produced principally for trial by relevant scientific research units and consumers under all types of varying road and climatic conditions, in order to better reveal contradictions, eliminate defects, improve quality, and prepare fully for regular production in 1987.

12267/12858

CSO: 4006/1262

INDUSTRY

ORDNANCE INDUSTRY POTENTIAL TO BE FURTHER DEVELOPED

Beijing LIAOWANG [OUTLOOK] in Chinese No 28, 14 Jul 86 p 5

[Article by Chen Siyi [7115 0934 4135]: "Ordnance Industry Potential Will Be Further Developed"]

[Text] What, after all, is the potential which can be developed by turning the ordnance industry into joint military and civilian enterprises? A clue to the answer can be found in "The Weaponry Industry Technology and Civilian Commodities Trade Fair" held in Beijing from 1 to 10 January.

The more than 2,400 products and 3,000 technologies shown at the trade fair represented only the products and technologies for civilian use developed by the Ministry of Ordnance Industry during the Sixth 5-Year Plan.

Every year, the more than 200 production lines turn out a variety of products for civilian use, including 1.2 million motorcycles, 1.84 million bicycles, 500,000 cameras, 110,000 refrigerators, 570,000 washing machines, as well as trucks, minicars, construction machinery, explosives, chemicals, and oil-drilling equipment. These products represent the productive capability which the Ministry of Ordnance Industry has developed within only a few short years.

The ordnance industry not only has equipment of good quality, but it has also acquired a sizable contingent of technical personnel (including personnel from the various research units under the national defense industry system and the universities and colleges) and advanced and proven techniques.

By resorting to various methods of development in concert with the civilian commodities production departments, it is possible to make use of these abundant human and technical resources to generate a productive capability far exceeding that of the ordnance industry alone. For instance, the Jialing motorcycle production industry units and the North China Optical Instruments Factory, a key unit of the camera production industry, are a collection of enterprises formed by dozens of ordnance industries and local enterprises.

In short, we can see from "The Weaponry Industry Technology and Civilian Commodities Trade Fair" that a start has been made to unleash the productive power immobilized by the closed nature of the system and that there is every reason to believe that this productive power will continue to be adequately developed during the Seventh 5-Year Plan.

With its superiority in equipment and technique, it is not surprising that the ordnance industry should be able to turn out a variety of high-quality products for civilian use. That the Ministry of Ordnance Industry is able to do so is proven by the fact that over 130 of its products for civilian use have won gold and silver medals awarded by the state and prizes from the departments and provinces for the high quality of its products. More important still, its superiority in terms of equipment and technology has gradually enabled the ordnance industry to become a direct source of supply of new technologies and equipment to enterprises in the nation. The full development of the potential of the ordnance industry will enable it to promote effectively the renewal of the equipment and technical reform of civilian enterprises.

Because of the better equipment and higher technical standard of the ordnance industry and the fine tradition of the national defense industry of maintaining a high quality standard for its products, it is able not only to turn out products for civilian use that are of a technical standard that the civilian industrial departments are incapable or, incapable of achieving, at the present time, but also, because of the high quality of its products, to produce commodities which are more competitive in the international market. Thus by turning the ordnance industry into joint military and civilian enterprises, it will be possible to make the ordnance industry a mainstay for the export trade of the nation. Although the export value of commodities for civilian use turned out by the Ministry of Ordnance Industry came to only some 400 million yuan in 1985, the amount is likely to increase sharply in the next 5 years. According to the parties concerned, although the export amount of machines and electrical products turned out by the Ministry of Ordnance Industry is only 0.4 percent of the total at present, it is likely to reach 10 percent in 5 years.

Naturally, to turn the ordnance industry into joint military and civilian enterprises will not be without difficulties. In order to turn the type of operations characterized by "the setting of quotas, the allocation of funds, the supply of materials, and the marketing of products by the state" into one that is in line with the market economy, the ordnance industry must introduce a series of reforms in its concepts, system, management, and operations. It must direct its utmost efforts toward establishing and perfecting an information system regarding the market for products for civilian use and a system for research, development, management, maintenance, and services. However, with the adoption of such reforms, there is no doubt that the potential of the ordnance industry will be further developed. By turning the ordnance industry from being an industry rendering its exclusive services to the modernization of national defense into one that is dedicated to the cause of the four modernizations, it will be possible for the ordnance industry to make greater contributions than ever before.

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INDUSTRY

MORE CIVILIAN PRODUCTS ASKED OF SHAANXI ORDNANCE INDUSTRY

Xian SHAANXI RIBAO in Chinese 9 Jun 86 p 2

[Article by Shen Yunjun [3088 7189 7486]: "Ways to Tap Production Potential of Shaanxi Ordnance Industry"]

[Text] Shaanxi's ordnance system clearly has some superior aspects and is an important force driving Shaanxi's improving economy. However, these superior aspects are not what they could be.

In terms of fixed capital and size of work force, the ordnance system accounts for about one-fourth or one-fifth of the province's totals. Yet the output value is only one-tenth of the province's total. Output value produced by every 100 yuan of fixed capital is two-thirds lower than that produced by other local industries. Average productivity per worker is more than 4,100 yuan lower than the provincial average. The rate of profits and taxes collected for every 100 of output value is only 50 percent of the provincial average. The existence of such objective shortcomings shows that there is potential in the ordnance system.

How best to tap the potential of the ordnance system is a question that has become a critical one. In recent years, some ordnance enterprises have put into practice their own clear answers to this question: potential productive power is transformed into realized productive power only by relying on greatly expanded horizontal economic cooperation among ordnance enterprises and between military and civilian enterprises.

Enterprises in the ordnance system have realized their potential in recent years through cooperation, which has resulted in the development of many products for civilian use. Some of these are high-quality and well-known products. According to statistics, more than 400 kinds of civilian products have been developed. Among these, more than 200 kinds have already begun to be batch produced; 65 have been declared superior products by the ministry; 48 have been declared superior products by the province; 11 have won the nation's silver prize, and 4 have won the gold prize. Last year, the output value of civilian products produced by Ministry of National Defense industries reached 519 million yuan, a sevenfold increase since 1980. In the area of cooperation, the ordnance industry is steadily showing its superior potential.

The ordnance industry also has a kind of potential that other types of industry lack, that is, development of products and technologies that can be interchangeably used by the military and by civilians. With appropriate changes and modifications, some products used by the military could serve in economic construction and in people's lives. Here it is appropriate to mention the disappointments and successes of the state-run Xian Electrical Instruments Factory during the course of developing civilian products. For a time in the past, when this factory faced reduced production responsibilities for military products, it did not proceed from its own strengths. Instead it blindly "sought rice to put in the bowl," which led to a weak position. Later, it developed production of civilian products, building on its own strengths and determining four areas: nuclear medicine, radiation protection and monitoring, automatic fire alarms, and industrial applications of radioisotopes. Expanding production of civilian products was like a fish finding water. Ten products have received ministerial or provincial awards for quality, among which four won silver awards and one won a gold award. Its economic performance clearly has improved. It can be seen from this that there is much promise in ordnance enterprises' "converting military to civilian." During the past 1 or 2 years, a number of ordnance enterprises have actively developed civilian products and have realized that this is the way to go. But exactly how production of civilian products should be developed is an entirely different matter. In recent years, some airplane and artillery factories produced "tubs and pots, boxes and chests," and other common items of daily use. Because they used the crude method of "firing cannon at mosquitos" and "using an ox knife to kill a chicken," they were dealt defeat in market competition. Therefore, ordnance enterprises should exploit their own strengths: superior equipment, advanced technology, and skilled personnel. For a good future, they should maintain a high starting point when developing products and should avoid competing in the market with local industries. The provincial airplane bureau learned the lessons of the past and concentrated its attention on exploring changes in domestic and international markets. Based on the fact that equipment in the domestic textile industry is comparatively backward. It began to develop sets of new products, such as an advanced pneumatic spinning machine, a water-jet loom, an arrow-shaft loom, and an air-jet loom. The pneumatic spinning machine was made by the workers and designers of the state-run Far East Machinery Co. Production is successful and in late April the design won national-level certification. It also has received high praise from experts. Trial production of the water-jet loom also has been successful, and the other products are currently in development.

Everything depends on human effort. Shaanxi's ordnance enterprises are a well-trained and powerful army, with tremendous potential. Every kind of marvel is possible so long as subjective human capability is fully utilized.

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INDUSTRY

INDUSTRIES IN ANHUI REGISTER RAPID GROWTH IN 1986

Hefei ANHUI RIBAO in Chinese 9 Jul 86 p 1

[Article by Jin Sheng [6855 5116]: "Rate of Development in Industrial Production in Anhui Province Exceeds that of the Nation During the First Half of 1986"]

[Text] Industrial production in Anhui Province made good progress during the first half of the year. According to statistics, the total production value during that period came to 11,796,000,000 yuan, showing an increase of 10.3 percent over the same period last year and a rate of increase higher than the average for the nation. The major features of industrial production in Anhui during the first half of the year are as follows:

1. Stable development. Insofar as the cumulative rate of increase is concerned, industrial production in January showed an increase of 8 percent compared to the same period last year, that in the first quarter an increase of 8 percent, that from January to April an increase of 8.6 percent, that from January to May an increase of 9.6 percent, while the first half of the year showed an increase of 10.3 percent.
2. All-round increase. Light industries showed a more rapid rate of increase than heavy industries, collectives a more rapid rate of increase than publicly owned industries and the regions a more rapid rate of increase than the cities. Light industries registered a rate of increase of 15 percent; heavy industries, 4.6 percent; publicly owned industries 7.4 percent and the industries under the collective system 19.2 percent (industries in villages and towns showed an increase of 53.1 percent). An increase was achieved by 17 prefectures and cities. Those prefectures and cities which have achieved over 50 percent of the quota for the year included Chuxian Prefecture, Fuyang Prefecture, Tongling City, Chaohu Prefecture, and Huaibei City, while Ma'anshan City came close to having achieved the quota. The rate of increase in production in light industries such as tobacco, electronics, construction materials, and coal in the localities all exceeded the average for the province.
3. Coordinated structure. In the first half of the year, light industries achieved a production value of 6,444,000,000 yuan, or 54.63 percent of the GVIO, while heavy industries achieved a production value of 5,352,000,000 yuan, or 45.37 percent of GVIO. As a result of the increase in public demand, the light and textile industries achieved a rate of development higher than the average for the province.

4. Simultaneous increase in revenues and gross industrial production value. From January to June, provincial revenues showed an increase of 10.62 percent, while the GVIO showed a simultaneous increase of 10.3 percent. The rate of increase in revenues in the 10 prefectures and cities, such as Hefei City, Bengbu City, Wuhu City, Huangshan City, Chuxian Prefecture, Suxian Prefecture, Huizhou Prefecture, Chaohu Prefecture, Anqing Prefecture and Xuancheng Prefecture, all exceeded the average for the province.

5. Rapid increase in export earnings. Since the beginning of the year, an overwhelming majority of the products have enjoyed brisk sales domestically and have realized larger amounts of foreign exchange earnings. From January to May, the state industries within the budget plan showed an increase of 6.1 percent in the amount of sales compared to the same period last year, a rate higher than the increase in the GVIO of 5.25 percent. The production of foreign exchange earning export products increased 27.5 percent, a rate far exceeding that of the increase in the amount of sales.

6. Completion of communication and transportation quotas in the localities. By the end of June, except for the volume of vehicular passenger traffic carried by the communication and transportation system of the province which came close to 50 percent of the quota for the year, the turnover rate of passenger cars and the transportation volume and turnover rate of trucks and water passenger and freight transportation all exceeded the quota for the first half of the year.

The major problem in industrial production is the lack of economic effectiveness. First, as a result of the increase in the cost of some major raw materials, fuel, power, and railway transportation and increases in wages and expenditures, the enterprises, having to carry a heavier burden and to pay higher costs, have suffered greater losses. Second, the quality of products is lacking in consistency and safety measures in production are not what they should be. Third, the serious shortage of oil, electricity, funds, and certain major raw materials will hamper production during the second half of the year. In order to deal with these problems, the responsible comrades in the economic commission of the province have pointed out the need to put emphasis on the following pieces of work during the second half of the year: First, serious efforts must be made to increase the production of commodities in demand, to dispose of overstocked products and to exceed the overall production quota set for the year; second, the concerned departments must take the initiative in helping the enterprises to resolve their difficulties, in reducing their burden and in strengthening the vitality of the enterprises; third, serious efforts must be made to improve the quality of products, to reduce the amount of waste and to strengthen modern methods of management; fourth, it is necessary to engage in the work of technical reform during this year and to make preparations in time for work to be done next year.

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INDUSTRY

JIANGXI INDUSTRIAL GROWTH RATE RANKS FIRST IN COUNTRY

Nanchang JIANGXI RIBAO in Chinese 10 Jul 86 p 1

[Article by staff reporter Bi Zijiang [3968 1311 3068]: "Jiangxi's Industrial Growth Rate for the First Half of 1986 Ranked First in the Nation; the GVIO Rose 11.2 Percent and Revenue 21.3 Percent over the Same Period in 1985"]

[Text] Following its high growth rate in 1985, Jiangxi's industrial production in the first half of 1986 continued to maintain a growth rate that was higher than the average throughout China. The GVIO throughout Jiangxi (not including industry of village-level or below) reached 7,998,000,000 yuan, a rise of 11.2 percent over the same period in 1985, and ranked first in the nation.

Production changed from a situation of falling month by month to one of rising month by month. Industrial production in some cities and prefectures fell month by month in the first quarter of 1986. But after the provincial conference on industrial production management in April, production in all areas throughout Jiangxi began to rise again. The average growth was 6.3 percent higher in April than in March, 9.7 percent higher in May than in April, and 12.2 percent higher again in June than in May, setting a record. Industrial production in all 11 cities and prefectures throughout Jiangxi rose somewhat over the same period in 1985.

The production of consumer goods rose by a big margin. Production in the food industry rose 11.8 percent over the same period in 1985, being higher than the average level of industrial growth throughout Jiangxi. The production of major products that were checked, such as machine-processed sugar, beer, canned food, and monosodium glutamate, rose over 20 percent, and the backward condition of the food industry is changing. There was a big rise in the production of such goods as tape recorders, electric fans, bicycles, sewing machines, cameras, cloth, chemical fibers, leather shoes, fine household aluminum goods, soap, plastics, and household glass products.

Township and town industries grew steadily, growing 31.3 percent in the first half of 1986 after doubling production in the same period in 1985. Township and town industries in the cities of Xinyu and Jiujiang grew 77.5 and 57.3 percent, respectively, over the same period in 1985.

Some key enterprises realized "the double half." More than one-half of the 20 enterprises throughout Jiangxi with taxable profits of 10 million yuan fulfilled over one-half of their duties in less than half the time. Of these, the state-run No 1 Cotton Mill in Jiujiang fulfilled 53.2 percent of the annual plan; the Jiangxi Rubber Plant, 51.5 percent; the Dongfeng Pharmaceutical Factory, 51.9 percent; and the Jiangxi Nonferrous Metal Smeltery, 53.4 percent.

Economic results continued to improve. Comparing the first half of 1986 to the same period in 1985, the output value of budgeted industrial enterprises throughout Jiangxi rose 6.3 percent; sales income, 11.8 percent; realized profit taxes, 1.7 percent; and revenue throughout Jiangxi, 21.3 percent, fulfilling 49.7 percent of the annual budget.

Major problems which existed in industrial production in the first half of 1986 include that the quality of some products was not stable enough, consumption and costs rose, funds for producing finished products and losses increased, and turnover of funds was delayed.

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CSO: 4006/1262

INDUSTRY

JILIN INDUSTRIAL GROWTH STABLE IN FIRST HALF OF YEAR

Changchun JILIN RIBAO in Chinese 8 Jul 86 p 1

[Article: "Industry Throughout Jilin Grew Steadily in the First Half of 1986; Speed, Results, Standards, and Reserve Strength Were Stressed Uniformly; the GVIO Rose 8 Percent, Taxes and Profits Turned Over to the State 15.1 Percent, and Revenue 11.1 Percent"]

[Text] Through the hard work of many cadres, staff members, and workers on the industrial front throughout Jilin, and energetic support from all areas, industrial production throughout Jilin grew steadily in the first half of 1986. Speed and results increased in unison, over one-half of the annual plan was basically fulfilled in less than half the time, and encouraging results were achieved. The GVIO throughout Jilin reached 11.35 billion yuan, or 49.8 percent of the annual plan and a rise of 8 percent over the same period in 1985; taxes and profits turned over to the state by industry throughout Jilin reached 1,212,000,000 yuan, or a rise of 15.1 percent over the same period in 1985; revenue reached 1,515,000,000 yuan, or, according to fixed specifications, a rise of 11.1 percent over the same period in 1985. A synchronized increase was realized in the above three statistics.

The major characteristics of industrial production throughout Jilin in the first half of 1986 were as follows: 1. Industrial production was quite stable and, while encountering more actual problems than in former years, it maintained a good momentum of steady, monthly growth and increased more than the national average. 2. Production was arranged according to needs, and there was a big rise in the output of marketable light textiles. The gross output value of light industry throughout Jilin in the first half of 1986 rose 13.3 percent over the same period in 1985, far surpassing the rise in heavy industry. The output of such products as washing machines, bicycles, color television sets, cigarettes, beer, and woolen goods rose more than 10 percent over the same period in 1985. 3. Product standards continued to improve, the output value of high-grade products rose, and progress was made in the development of new products. The output value of high-grade products throughout Jilin in the first half of 1986 reached 2.31 billion yuan, or 20.3 percent of the GVIO throughout Jilin and the highest level in recent years. The types of new products that were developed reached 1,126, or a rise of 30 percent over

the same period in 1985, and the output value and taxable profits of new products rose 10.6 and 15.5 percent, respectively, over the same period in 1985. 4. The output value of collective industry continued to rise by a big margin, reaching 2.37 billion yuan throughout Jilin in the first half of 1986, or a rise of 13.2 percent over the same period in 1985. 5. Sales income continued to rise, and the amount of funds used to produce finished products fell somewhat. All areas actively organized product sales, and the rising trend in the amount of funds used to produce finished products was controlled.

The major reasons why the good situation prevailed in industrial production in the first half of 1986 were that the key task of improving economic results was upheld, market demand was focused on closely and, based on the principle of being able to follow wherever there are markets, raw materials, and results, an increased output of marketable products was organized vigorously, close attention was paid to developing new products, and product sales were intensified, enabling production and circulation to be integrated. Economic departments at all levels actively revised policies, improved coordination of the external production conditions of enterprises, such as raw and processed materials, funds, and energy resources, opened channels to develop alliances and expand management, and created many favorable conditions for enterprises. Leaders at all levels went down to the grassroots units, intensified the mobilization of ideas and the organization of production, met face-to-face with many parties in order to stimulate service to enterprises, and aroused the enthusiasm of enterprises, staff members, and workers.

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INDUSTRY

SHANGHAI MAYOR URGES FURTHER INDUSTRY REFORMS

Shanghai WEN HUI BAO in Chinese 3 Jul 86 pp 1, 4

[Article supplied by the Municipal Government's News Office: "Five Ways To Boost Industrial Production During the Second Half of the Year"]

[Text] Yesterday afternoon, the municipal government held a conference at the Shanghai Gymnasium for all officials to make arrangements for economic work in Shanghai during the second half of the year.

Mayor Jiang Zemin [3068 3419 3046] chaired the conference and also delivered a speech. First, he analyzed the present situation in the city. He pointed out that during the first half of this year all categories of economic work secured definite accomplishments, with the leadership of the Central Committee, which adopted a series of measures to strengthen and improve macroeconomic controls and to further unbind enterprises, and with the united efforts of all offices in the city. The overall economic situation is excellent. Industrial production from January to May increased 1.8 percent compared to the same period in the previous year. It is estimated that the increase for the first half of the year will have been 2 percent. This comes after a high starting point from last year, which had increased 12.8 percent. In terms of important industrial products, there has been a comparatively large volume increase in production of products that have a ready market or have been in short supply. In the marketplace, sales, prices, and popular confidence all have been steady. Foreign trade purchases and foreign exchange created by exports have increased steadily. The amount of completed investment in basic construction and technical improvements has increased significantly since last year. This year, attention should be paid to the 15 items that are closely related to people's lives. Progress has been good.

In his speech, Mayor Jiang provided a concrete analysis of the reasons that Shanghai's industrial production this year has increased slowly. Mayor Jiang enumerated the important points that should be emphasized in industrial production during the second half of this year: 1. Further concentrate on adjusting the composition of product lines. Every industry should systematically analyze the supply-and-demand situation for existing products, according to market demand. All products that do not have good sales should be steadfastly reduced. There should not be new overstocks. Forces should be marshalled to increase production of all products that are in high demand and short supply. Measures should be taken to insure adequate sources for

planned exports. 2. Strengthen control over energy and material supplies. During the third quarter, the season of high temperatures, there must be increased attention paid to arranging for electricity and water supplies and safe production, so large fluctuations are avoided. 3. Strive to improve product quality. Recently, the municipal government convened a special conference to study the problem of product quality. It promulgated several regulations to improve product quality. Enterprises that do not have adequate production facilities must resolve to make adjustments and adopt measures by a set deadline to reduce fluctuations in product quality. This will insure that production will increase on the foundation of maintained quality. 4. Concentrate efforts on completing technical improvement projects and beginning production. The technological standards were high in the 267 key improvement projects that were completed last year and the 30 projects whose completion is planned this year. There should be emphasis on putting these projects into production at an early date, so they will play an important role in production during the latter half of this year and during next year. 5. Spread the idea of expanding the commercial economy based on public ownership, all leading cadres must accept new ideas. They must overcome and abandon the thinking that they had relied upon regarding funds, raw materials, sales, and other links. They should organize and expand economic activity, based on the special characteristics and needs of a commercial economy. Enterprises must be transformed from being purely production units into production--management units and management-expansion units.

Following this, Mayor Jiang also commented on the strict controls on the scale of basic construction, implementation of labor system reforms, continued implementation of the factory director (manager) responsibility system, quickening the pace of reform in administrative companies, balancing government receipts and expenditures this year, arranging markets, guiding consumers, and other problems. He also pointed out what will be needed regarding these problems.

Huang Ju [7806 5468], who is a party municipal committee assistant secretary, chaired today's meeting. Also in attendance were vice mayors Li Zhaoji [2621 5128 1015], Liu Zhenyuan [0491 2182 0955], and Ni Tianzeng [0242 1131 1073], Municipal Government Adviser Wang Daohan [3076 6670 3211], Municipal Government Consultative Chairman Li Guohao [2621 0948 6275], and others.

12994/9869
CSO: 4006/1207

INDUSTRY

NEW BUILDING MATERIALS FEATURED AT XIAMEN TRADE SHOW

Beijing RENMIN RIBAO in Chinese 9 July 86 p 2

[Article by Xiao Tihuan [5135 7555 3562] and Guo Yiming [6753 0001 7686]:
"New Building Materials Advance Toward Market"]

[Text] In early summer, the Xiamen SEZ was green and gaily decorated throughout. Crowds filled the National New Building Materials Trade Show sponsored by the city at the municipal Fushan International Exhibition Hall. Trade was lively, with representatives from China and abroad scrambling around like ducks.

New building materials are not the same as China's traditional building materials of bricks, tiles, mortar, sand, and stone. They are special because they are light in unit weight, strong, attractive, and earthquake-resistant. They can be applied on the job as a fast pace, thus saving energy and movement. It is thought that China's construction industry is the second largest consumer of energy, second only to power industries, and still larger than even the metallurgical industries. At present, annual production of bricks is 270 billion units, weighing a total of 675 million tons, with 30 million tons of coal burned during production, which is one-sixth of the total amount of short-haul goods transported nationally. The overall economic performance of traditional building material lines is too low, and "Qin bricks and Han tiles" must gradually make way for new building materials.

Since August 1979, when Comrade Deng Xiaoping visited the experimental house built with new construction materials at Beijing's Zizhuyuan, China's development of new building materials has been rapid. To date, nine bases of production and construction have been established. Annual construction capacity of frame houses built with lightweight boards has reached 3 million square meters. For example, the two buildings at the inspection station at the southern terminus of the Great Wall, the three commercial buildings in Xizan's Lhasa, and the Huilongguan restaurant in Beijing have special architecture and all are the result of China's development of the new building materials industry.

This national trade show of new building materials sponsored by Xiamen was an opportunity to survey the recent accomplishments of China's new building materials industry. More than 280 factory representatives came from 24 provinces, municipalities, and autonomous regions. They displayed more than

3,000 kinds of new building materials, from materials for both exterior and interior walls, heat retention and insulation, ornamentation, saving water, flooring, plumbing, doors, windows, aluminum alloys and other metals, bathroom fixtures, and lamps. Statistics show that 20,000 visitors came to the trade show and 100 million yuan in orders were placed.

China's new building materials industry has tremendous potential and prospects. This trade show revealed four special points:

New Building Materials Are the Concern of Many: Among the many visitors to this trade show who came from all over the country, not only were there those who work in the construction industry, there were also many representatives from local planning commissions, economic commissions, construction commissions, construction banks, industrial and commercial banks, and town and township bureaus. Tian Zemin [3944 3419 3046], manager of the China New Building Materials Co. said: "'Housing' is an important aspect of modern social life. When every government office has an appreciation for and actively supports new building materials, then the materials will be able to expand greatly."

Horizontal Cooperation Advances Further: Participants pointed out that the show involved production factories, sales organizations, and R&D units. There were not only construction materials enterprises, there were also enterprises from the chemical industry, light industry, architecture, and other lines. One purpose of gathering all together in one place is to further advance horizontal cooperation and exchange of experiences, so they can produce even more products wanted by the market.

Technology Transfer Was Prominent: Over the course of the trade show, experts and engineering technicians gave four academic presentations on special topics and gave 31 forums introducing new products. These were welcomed by everyone.

Many Excellent New Products and Competitively Priced Products Received Particular Welcome: The Beijing New Building Materials Factory's plaster board, rock insulation, and light-steel pallets meet advanced world standards and were ordered by all provinces, municipalities, and autonomous regions. During this show, this factory had professional contact with 3,000 people, and received orders on the spot worth 2 million yuan.

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CSO: 4006/1207

SMALL-SCALE ENTERPRISES

GROWTH OF NATIONAL SMALL-SCALE ENTERPRISES DESCRIBED

Beijing RENMIN RIBAO OVERSEAS EDITION in Chinese 31 Jul 86 p 1

[Article by Shan Zhiqiang [0830 0037 5638]: "China's Township and Town Enterprises Thrive; \$4 Billion Remitted Last Year"]

[Text] Township and town enterprises have become an important part of China's national economy. According to statistics, the total output value of township and town enterprises throughout China at the end of 1985 was 272.8 billion yuan, topping the total output value for the whole nation in 1968. In the first half of this year, the industrial output value of rural industries throughout China increased 19 percent compared with the corresponding period last year. This was the announcement by the Ministry of Agriculture, Animal Husbandry, and Fishery in Beijing on 29 July at a news briefing for Chinese and foreign reporters.

The output value of products from township and town enterprises already constitutes a fairly large proportion of the output value among some industries throughout China. Nationwide net tonnage of coal in 1985 increased 230 million tons over that in 1978, with a net increase of 140 million tons among township and town coal mines. In the construction business, the 1985 gross industrial output value for township and town building materials reached 27.6 billion yuan, accounting for 53 percent of the national gross industrial output value for building materials; the township and town construction business has altogether more than 27 million staff and workers, accounting for approximately 60 percent of the total number of people in the construction ranks nationwide; and silk goods, clothing, shoes, and other manufactured goods of township and town industries account for approximately one-half of the same category of products for all of China.

In the last few years, extensive contact with industrial and trade circles of different countries have already become a new area of development for township and town enterprises. In 1985, township and town enterprises began to remit nearly \$4 billion to the state. There are now more than 8,000 township and town enterprises that produce export commodities, and 870 Sino-foreign cooperative and joint ventures.

13138/12851
CSO: 4006/1260

SMALL-SCALE ENTERPRISES

CHINA'S TOWNSHIP, TOWN ENTERPRISES DISCUSSED

Taiyuan NONGYE JINGJI XIAOGUO [AGRO-ECONOMIC RESULTS] in Chinese No 2, 25 Apr 86 pp 8-15

[Article by Miao Fuchun [6379 1788 2504] of the State Council Development Research Center: "The Developmental Situation and Proposals Concerning Township and Town Enterprises in China"]

[Excerpts] Township and town enterprises have burst forth and developed quickly in China over the past few years. By 1984, China had 6,065,000 township and town enterprises (including township-run, village-run, those managed jointly through investments raised by commune members, and other forms of cooperative and individual enterprises) with a gross value of output of 170.9 billion yuan. The vigorous growth of township and town enterprises has attracted attention and fueled debates in China and in foreign countries. To permit a better summarization of our experiences in development of township and town enterprises and problems that exist, this article will attempt a preliminary analysis of the rate of development, capital utilization, investment results, and other conditions in township and town enterprises.

I. The Position of Township and Town Enterprises in the National Economy

1. Township and Town Enterprises Have Come To Form a Major Component of the National Economy. The gross value of output in all of China's township and town enterprises in 1984 was 170.9 billion yuan, equal to 13 percent of social gross value of output and 40.8 percent of the gross value of output in the rural economy. According to statistics from the relevant departments, local construction materials manufactured by township and town enterprises accounted for more than 70 percent of total national production of these products. They produced 202 million tons of coal, or 23 percent of total national output. They produce 43 percent of our pyrite. Township and town enterprises now account for 24.7 percent of national textile output and more than 40 percent of clothing output. Forecasts are that by the end of this century, the value of output in the five levels of township and town enterprises will account for about 30 percent of national social gross value of output and more than 60 percent of the gross value of output in the rural economy. In the future, township and town enterprises gradually will become one of the focal points of domestic and foreign investments and their products will come to serve not just rural and urban areas but will move toward international markets as well.

2. Township and Town Enterprises Have Made a Rather Substantial Contribution to the State and Collectives. According to statistics from the Township and Town Enterprise Bureau of the Ministry of Agriculture, Animal Husbandry, and Fishery, the state provided about 7 billion yuan in developmental capital to assist township and town enterprises between 1982 and 1984. During this period, however, township and town enterprises paid 27.68 billion yuan in taxes to the state or about 3.9-fold the amount of state capital assistance. At the same time, the 30.8 billion yuan in profits paid to township and town governments by township and town enterprises paid a major portion of grassroots township and town government expenses. Moreover, they contributed 5.5 billion yuan to public and collective welfare activities, which was 8 percent of township and town enterprise profits. Taxes collected from township and town enterprises have become an important source of state and local revenues during the past few years. Township and town enterprises paid a total of 9.06 billion yuan in taxes in 1984, equal to 9.6 percent of total tax income in China, and the higher taxes they paid accounted for 19.5 percent of total new tax increases in China. Looking at some provinces, cities, prefectures, and counties, we see that township and town enterprises in Jiangsu Province paid 1,519,000,000 yuan in taxes in 1984, more than fourfold greater than the agricultural tax in Jiangsu and about 19 percent of provincial revenues. Township and town enterprises in Zhejiang paid 930 million yuan in taxes, or 20.6 percent of total provincial revenues. Township and town enterprises in Langfang Prefecture in Hebei Province paid 51 percent of total fiscal income in the prefecture. The figure was 75.3 percent in Zhejiang Province's Shaoxing County. The taxes paid by township and town enterprises have increased state revenues and also provided an important source of funds for local economic development.

3. Township and Town Enterprises Have Played a Decisive Regulating Role in Establishing an Appropriate Balance Between Urban and Rural Development. Development of the social forces of production and especially the prosperity of the rural economy have raised levels of rural industrialization.

4. Township and Town Enterprises Have Become a Major Pillar of the Rural Economy. The gross value of output in township and town industries in Jiangsu Province in 1984 was 22.5 billion yuan, equal to 51.4 percent of the gross value of output in the agricultural, sideline production and industrial sectors, and surpassing the value of output in agriculture (including crops, forestry, animal husbandry, sideline production, and fishery), which has permitted them to accumulate capital for the development of agricultural modernization. In the past 3 years, township and town enterprises have provided 7.6 billion yuan in funds to assist agriculture in China, which is about 2.7-fold the amount of state agricultural assistance grants. In addition, the development of township and town enterprises has transformed traditional agricultural models and shifted surplus rural labor power out of raising crops and into rural industries, communications and transportation, construction, mining, commerce, and services. The number of people employed in township and town enterprises in China reached 52 million in 1984, equal to 14 percent of the rural labor force. The proportion is even higher in some provinces, municipalities, and counties. Township and town enterprises in Jiangsu Province, for example, employ 10 million people,

or 40 percent of the rural labor force. The figure is about 35 percent in Shandong Province's Yantai Prefecture and 40.8 percent in Zhejiang's Shaoxing County. Township and town enterprises have increased peasant incomes, invigorated the rural economy and have also had beneficial results in development of the urban and rural commodity economy and promoting economic development throughout China.

II. An Analysis of the Situation in Value of Output and Rate of Growth in Township and Town Enterprises

The developmental situation for township and town enterprises between 1980 and 1984 is shown in Table 1.

Table 1. Development of Township and Town Enterprises 1980-1984

1 项目 7 年份	2 企业数	3 年末固定 资产原值	4 总 产 值	5 利润总额	6 上交国家税金
1980	56.1	210.2	656.7	66.1	26.7
1981	50.2	273.6	728.7	68.0	34.3
1982	65.0	316.2	852.9	72.8	44.7
1983	134.0	475.6	1,016.7	117.8	68.9
1984①	165.0	575.0	1,433.0	128.7	79.1
1984②	806.5		1,709.9	187.4	90.6

- Notes: (1) These statistics are for the township and village levels, and it can be seen that the basic trend is toward an increase.
- (2) These figures include enterprises below the village level, including 900,000 enterprises jointly managed by commune members, 210,000 other forms of cooperative industries, and 3.3 million individual enterprises, hence the dramatic increase and the corresponding increases in other indices.

Key:

1. Item
2. Number of enterprises (X 10,000)
3. Original value of fixed assets at end of year (100 million yuan)
4. Gross value of output (100 million yuan)
5. Total profits (100 million yuan)
6. Taxes paid to the state (100 million yuan)
7. Year

Because a new situation of "five wheels rolling together" (township-run, village-run, household-run, household association-run and other cooperative forms) has appeared in township and town enterprises since 1984, the gross value of output in township and town enterprises clearly has risen in comparison with 1983. Even if we compare the two comparable township and village levels, there still was a 40.9-percent increase. The number of people employed in them surpassed 52 million, up by 61 percent over 1983. Rapid development continued

through the first quarter of 1985. Statistics from 17 provinces, municipalities, and autonomous regions show that the value of industrial output in township- and village-level enterprises was 2.24 million yuan, up 51 percent over the same period in 1984. The increase was more than 70 percent in Jiangsu, Zhejiang, Shanghai, Tianjin, Liaoning, and Shandong. Such a rapid rate of growth not only greatly exceeds the 17-percent average annual rate of increase in township and town enterprises between 1979 and 1983 and has become the fastest rate of development in the history of township and town enterprises, but it also is much higher than the rate of growth in GVIO in China over the same period (14 percent). Concrete analysis is needed to determine the reasons for such a rapid rate of growth and increased value of output.

First of all, the factors related to the high rate of growth are mainly that: (1) There has been an unprecedented upsurge in interest in the development of township and town enterprises among cadres at all levels and the peasant masses since the relaxation of policies and they have come to view the accelerated development of township and town enterprises as an essential route for multiplying output and becoming wealthy. (2) Development of the rural commodity economy has provided an objective foundation for rapid development of township and town enterprises. The enormous successes in rural reforms over the past few years and successive bumper harvests caused peasant incomes to grow at a faster rate and surpluses appeared in the agricultural labor force that provided a firm basis for the development of township and town enterprises. (3) The state has provided them with preferential treatment in fiscal taxation and bank credit, which has made it possible for township and town enterprises to develop rapidly.

Second, we can examine the actual situation of growth. (1) A regional analysis indicates that the areas with the highest rate of growth in gross value of output during 1984 were Henan, at 118 percent, Shandong at 56.1 percent, and Zhejiang at 51 percent. The figure was over 40 percent for Gansu, Anhui, Yunnan, Shaanxi, Shanxi, Liaoning, Jilin, Beijing, and other provinces and municipalities. A few of them, such as Jiangsu, Zhejiang, Beijing, Liaoning, and others, originally had a rather good foundation and continued to develop. Most areas originally had a poorer foundation and began later, so the relative increase was rather high while the absolute increase was not. Township and town enterprises in the eight provinces and autonomous regions of Ningxia, Gansu, Nei Monggol, Yunnan, Guizhou, Xinjiang, Qinghai, and Guangxi, for example, accounted for only 4.4 percent of the gross value of output in township and town enterprises in China. (2) If we analyze by sector, we discover that crops and breeding grew 21 percent; industry, 36.8 percent; communications and transportation, 45.1 percent; construction, 59 percent; and the commercial, beverage and service industries, 71.5 percent. Obviously, the fastest growth was seen in tertiary and secondary industries, which had a rather weak original foundation, including some with problems related to low base figures. (3) Prices for energy resources and raw materials rose in 1984, which undoubtedly affected calculations of the value of output and rate of growth in township and town enterprises.

Of course, we should take note of the many problems that are found in the value of output and rate of growth in township and town enterprises over the past few years. One thing is excessive expansion in some areas that has resulted in an unhealthy tendency toward an overemphasis on industry and a neglect of agriculture, detachment from reality, and excessive concern with multiplying output. This situation is most apparent in township and town enterprises in some of the more developed coastal regions. The second problem is the one of "four gates open, four banks contending" (the Agricultural Bank, Industry and Commerce Bank, Construction Bank, and Bank of China) in loans to township and town enterprises over the past 2 years, especially during the fourth quarter of 1984, which sent the wrong signals to township and town enterprises, causing them to believe that there were no capital problems and that they could grow a great deal. The third problem is that the excessive scale of capital construction throughout China and the excessive growth in consumption funds caused rapid expansion of market demand for the means of production and means of livelihood. This made it possible for township and town enterprises to sell their products after a substantial price increase despite their rising energy and raw materials prices and higher costs. This stimulated the development of township and town enterprises and became a driving force in the enthusiasm for filling in gaps. An example is Ezhou City in Hubei Province, which developed a "steel-rolling fever" in 1985. They built or rebuilt 22 small steel mills and invested several hundred thousand to over 1 million yuan. Because the raw materials and capital were not put in place, however, only four of them have gone into operation to date and they cannot produce normally. There has been a continual rise in enthusiasm for small iron and steel mills during the first half of 1985 and assistance from bank loans has created a surging momentum in development. Shanxi Province will add, or now is in the process of building, 325 small 3-cubic-meter blast furnaces and there are more than 1,000 small earthen furnaces of about 1 cubic meter being operated by individuals. These conditions can be found to varying degrees in all areas.

To summarize the above analysis, it can be noted that the rate of development of township and town enterprises has exceeded the state's ability to sustain it in the areas of capital, energy resources, materials, and so on and it has violated the principle of doing only what is possible. There is no doubt that this high rate of growth cannot be sustained and that firm action is needed to readjust it.

III. An Analysis of Capital Utilization in Township and Town Enterprises

1. The Development of Township and Town Enterprises Has Affected the Circulation of Rural Capital.

The rise of township and town enterprises has both increased demand for capital and provided a large amount of capital for rural investments (Table 2).

Table 2. Increases in Agricultural Loans at End of Year 1979-1984

(Units = 100 million yuan)

6 年 份	1 项 目	2 年末农业贷 款增加合计	3 其中, 乡镇企 业贷款增加	4 乡镇企业贷款增加占 全部农贷增加比重 (%)	5 当年累计发放乡 镇企业贷款额
1979		23.9	10.7	44.8	58.0
1980		64.2	36.4	56.7	123.0
1981		34.3	17.2	50.1	139.0
1982		44.7	21.0	47.0	153.0
1983		58.6	27.6	47.1	206.0
1984		308.3	151.6	49.2	476.0
7 合 计		534.0	264.5		1,153.

Note: The township and town enterprises in this table include only those at the township and village levels

Key:

1. Item
2. Total amount of increase in agricultural loans at end of year
3. Increased loans to township and town enterprises as part of total
4. Ratio between increases in loans to township and town enterprises and increases in agricultural loans
5. Total amount of loans issued to township and town enterprises during current year
6. Year
7. Total

We can see in Table 2 that township and town enterprises accounted for roughly half of the increase in the amount of agricultural credit issued between 1979 and 1984. Loans in 1984 surged upward 5.3-fold over 1983, including a 5.5-fold increase in township and town enterprises. In one aspect, statistics indicate that township and town enterprises had 11.6 billion yuan in savings in banks and credit cooperatives at the end of 1984 and that township and town enterprise employee savings amounted to 18 billion yuan, or a total of 29.6 billion yuan if the two are added together. There is a temporal difference, however, between the two and the intermediary that regulate this temporal difference is mainly credit. At the same time, we cannot merely take note of total loans at the end of the year and the increased amount of credit. We also must take into consideration the total amount loaned during that year, which means the loans used to support fixed assets and circulating capital accumulation in the enterprises, which obviously is excessive.

2. Income Provided to the State, Collectives and Individuals by Township and Town Enterprises (Table 3)

Table 3. Income Provided by Township and Town Enterprises 1979-1984

1. 项目 9 年份	2. 上交税金	3. 上交乡村利	4. 企业集体福利支出	5. 职工工资	6. 前四项合计	7. 百元产值提供收入 (%)	8. 百元总收入提供收入 (%)
1979	22.6	40.0	6.5	103.8	172.9	40.9	35.2
1980	25.7	48.0	7.6	119.4	200.7	39.4	33.8
1981	34.3	57.0	8.0	130.6	229.9	39.7	34.3
1982	44.7	55.0	8.2	153.3	262.2	40.4	33.9
1983	58.9	53.0	8.3	175.8	296.0	39.1	31.9
1984	90.6	55.0	8.5	223.2	377.3	37.9	31.4
10 合计	276.8	308.0	47.1	906.1	1539.0	40.4	33.0

Key:

1. Item
2. Taxes paid to higher authorities (100 million yuan)
3. Township and town profits paid to higher authorities (100 million yuan)
4. Enterprise expenditures for collective welfare (100 million yuan)
5. Employee wages (100 million yuan)
6. Total of four previous columns (100 million yuan)
7. Income provided per 100 yuan in value of output (percent)
8. Income provided per 100 yuan in income (percent)
9. Year
10. Total

Table 3 shows that township and town enterprises paid 27.68 billion yuan in taxes to the state between 1979 and 1984. These enterprises also provided large amount of capital to township and town governments, collective welfare, and employee incomes and have become an important source of national income and rural capital, which benefits the state, collectives, and individuals. The problem is that we must acknowledge the limited state finances at present and how we can raise this limited capital and use it in the best manner so as to develop township and town enterprises with high efficiency and high results. This is the core of the problem.

3. An Analysis of the Sources of Township and Town Enterprise Investments

Most of the added sources of investments during development of township and town enterprises have been: an average of about 56.6 percent accumulated within the enterprises themselves, about 30.8 percent from bank and credit cooperative loans and 12.6 percent from other capital loaners. (Table 4)

Table 4. Sources of Increased Investments in Township and Town Enterprises 1979-1984

1. 年份	1980	1981	1982	1983	2. 四年合计与平均
3. 项目					
4. 固定资产和流动资金增加 (亿元)	91.0	72.0	84.0	85.0	332.0
5. 其中, 企业积累增加所占比重 (%)	61.6	59.4	56.7	59.4	58.5
6. 贷款增加所占比重 (%)	40.0	23.9	25.0	32.5	30.8
7. 其它资金增加所占比重 (%)	8.4	16.7	18.3	8.1	12.6
8. 当年累计发放贷款额 (亿元)	123.0	139.0	152.0	206.0	

Key:

1. Year
2. Four-year totals and averages
3. Item
4. Increase in fixed assets and circulating capital funds (100 million yuan)
5. Proportion of the above from increased accumulation in township and town enterprises (percent)
6. Proportion from increased loans (percent)
7. Proportion from increases in other sources of capital (percent)
8. Total amount of loans issued during the year (100 million yuan)

Over this period, the amount of capital raised by the enterprises themselves basically stayed between 5 and 6 billion yuan and the rate of growth was small and did not expand in step with township and town enterprise production. About 60 percent of these loans (loaned out and repaid in the same year), however, were assistance loans for circulating capital and investments in fixed assets in township and town enterprises. Enterprise loans recovered from sales and actual accumulation repaid them. Without this rather substantial assistance, it would have been hard for township and town enterprises to sustain simply reproduction and it would be quite likely that expanded reproduction would be limited. It is apparent that township and town enterprises continue to depend heavily on loans.

IV. An Analysis of Investment Results in Township and Town Enterprises

There are regional imbalances in the development of township and town enterprises across China and there also are major differences in economic results. I will attempt a preliminary analysis of the macroeconomic results of investments.

1. An Analysis of Rising Investments and Expanding Production in Township and Town Enterprises

As shown in Table 5, the increase in investments and average yearly rate of increase in township and town enterprise investments (including fixed assets and circulating capital) exceeded the rate of increase in gross income. Major efforts to develop township and town enterprise with a weak foundation often cause the rate of growth in investments to exceed the rate of growth in production but it is hard to maintain this for long periods.

Table 5. Production and Increased Investments in Township and Town Enterprises 1979-1984

Item 项目	1 年份						2 1984年比1979年	
	1979	1980	1981	1982	1983	1984	增长(%)	年平均递增(%)
5 总收入(亿元)	491	596	670	771	928	1,156	168.2	
6 比上年增长(%)	13.9	21.4	12.4	15.1	20.4	24.2		17.9
7 固定资产(亿元)	280	328	375	429	476	575	150.4	
6 比上年增长(%)	22.0	16.4	15.0	14.4	10.7	23.7		16.3
定额流动资金(亿元) ⁸	132	177	200	230	268	338	255.8	
6 比上年增长(%)	39.7	33.6	13.4	14.7	16.5	26.1		24.0

Key:

1. Year
2. 1984 compared with 1979
3. Increase (percent)
4. Average yearly increment (percent)
5. Total income (100 million yuan)
6. Increase over previous year (percent)
7. Fixed assets (100 million yuan)
8. Fixed circulating capital (100 million yuan)

2. An Analysis of Capital Utilization in Township and Town Enterprises

The amount of circulating capital tied up per 100 yuan in value of output in township and town enterprises exceeds the value of output/capital ratio in enterprises under state ownership. Table 6 provides a comparison of these two figures.

Table 6. Comparison of the Amount of Capital Tied Up Per 100 Yuan in Value of Output in Township and Town Enterprises With the Value of Output/Capital Ratio in Enterprises Under State Ownership 1979-1983

1 年份	1979年	1980年	1981年	1982年	1983年
2 项目					
3 全民企业	29.8	28.9	28.7	28.4	27.2
4 乡镇企业	31.2	34.8	34.5	35.6	35.4
5 乡镇企业,百元资金实现纯利(元)	29.1	26.6	22.2	20.1	18.3

Key:

1. Year
2. Item
3. Enterprises under state ownership
4. Township and town enterprises
5. Actual net profits per 100 yuan of capital in township and town enterprises (yuan)

We can see that net profits realized per 100 yuan of capital in township and town enterprises have declined over the years.

3. An Analysis of Value of Output/Profit Ratios in Township and Town Enterprises

Improvement of profit rates in township and town enterprises is the key to maintaining and improving enterprise accumulation levels and it determines the scale of accumulation and rate of development in the enterprises. Table 7 compares the value of output/profit ratios of township and town enterprises and enterprises under ownership by the whole people.

Table 7. Comparison of Profit Rates Per 100 Yuan in Value of Output
(Unit = percent)

年份 1	1979	1980	1981	1982	1983
2 单位					
3 乡镇企业	24.6	23.2	19.9	17.8	15.5
4 集体所有制企业	10.9	10.4	9.4	8.8	9.5
5 全民所有制企业	15.8	15.8	15.0	14.4	14.4

Key:

1. Year
2. Units
3. Township and town enterprises
4. Collectively owned enterprises
5. Enterprises under state ownership

Table 7 tells us that the value of output/profit ratio of township and town enterprises consistently has been higher than in enterprises under state ownership and even higher than collective enterprises. The main reason is that township and town enterprises must compete externally and that they also have a certain internal distributional power. If, for example, township and town enterprises are rather strict about the use of raw materials and transmission in the production process, worktime utilization rates will be higher and marginal productivity of equipment also will be higher.

We must note at the same time that the value of output/profit ratio of township and town enterprises has declined over the years. There are many reasons for this, the main ones being the low labor productivity, high production costs, and a large proportion of production expenditures tied up in total employee wage bills. Overall labor productivity in township and town enterprises remains at only 3,500 yuan or so at present, much lower than in enterprises under state ownership (over 13,000 yuan). Production costs per 100 yuan in value of output are about 82 yuan, which is about 10 yuan higher than in enterprises under state ownership. Wages accounted for more than 28 yuan of production costs, which was more than 5 yuan higher than in enterprises under state ownership. The result has been a lack of coordination between rates and results in township and town enterprises. An examination of comparable township and village level enterprises for all of China's township and town enterprises during 1984 indicates that value of output grew 40.9 percent over 1983, while net profits grew only 9.3 percent. The value of output in Jiangsu Province's Suzhou Prefecture grew 50.3 percent but profits remained the same as in 1983. The value of output in Zhejiang Province's Shaoxing County grew 72.9 percent but profits rose only 8.2 percent. There was a common tendency for a decline in value of output/profit ratios in township and town enterprises, which is a problem that requires serious research.

V. Policies That Should Be Adopted for Further Development of Township and Town Enterprises and Opinions

The CPC Central Committee pointed out in its opinions concerning the Seventh 5-Year Plan that "development of township and town enterprises is essential for invigoration of China's rural economy. The guiding principles in development of township and town enterprises should be: active support, rational planning, correct guidance, and stronger management." Based on this principle, policies and measures in the following areas should be adopted at the present stage.

1. Strengthen Macroeconomic Guidance, Guide Township and Town Enterprises Along the Path of Healthy and Stable Development Toward Socialism. We must acknowledge the importance and role of township and town enterprises in long-term development strategies for development of the national economy and a high degree of rural economic invigoration. The great variety of activities and industries encompassed by township and town enterprises means that all departments related to the enterprises, including agriculture, industry, the construction industry, hydropower, communications and transportation, coal, the petrochemical industry, the metallurgical and machine industries, as well as industrial and commercial management, finance and taxation, banking and credit, finance and

insurance, commerce and services, and so on should provide active support to township and town enterprise development and should not set up barriers and obstructions. Any decision by a department or unit that does not conform to the spirit of the CPC Central Committee should immediately turn on a green warning light.

2. There Must Be Guidance by Categories for Township and Town Enterprises and No Indiscriminate Action. There are substantial imbalances in the development of township and town enterprises in China at present and they must be dealt with differently. The good foundation, early start and fast development of eastern coastal region like Jiangsu, Zhejiang, Guangdong, Shandong, Liaoning, Fujian, and other areas require that we control their scale in the future, especially in new construction projects. Efforts should be made to improve them from top to bottom and develop toward internal expanded production. Efforts must be made in areas such as improvement of technical standards, product quality, the quality of enterprise personnel, economic results, and so on. In central regions of the interior, we should adroitly guide our actions according to circumstances to develop various forms of economic and technical cooperation and take full note of energy, raw materials, market, communications, capital, technical, and other conditions and work actively to utilize local resource advantages to achieve stable development of township and town enterprises. Their weak economic base and underdeveloped communications means that township and town enterprises in most western frontier regions remain at the initial stage, so they should guide local township and town enterprises in converting the resource advantages of their region into commodity advantages and economic advantages.

3. Lead Township and Town Enterprises in Strengthening Scientific Management and Improving Investment Results. Estimates based on information supplied by banks across China indicate that only about 30 percent of China's township and town enterprises have good economic results, while about 40 percent have normal economic results and about 20 percent have poor economic results and find it hard to continue producing, and about 10 percent of the enterprises operate at a loss or have closed down. The main reasons were rises in the price of raw materials and poor management and administration. There are dangerous weak points in production and management in township and town enterprises at present, which refers to the shortage of qualified personnel and the need to improve technical standards and management and administrative levels. I propose that the state, all departments, local governments take appropriate consideration of specialized personnel training, admissions, and distribution in the future and that they provide assistance in the areas of technical advisory services.

4. Reduce Burdens of Township and Town Enterprises, Make Them More Vital. Information from township and town enterprise departments throughout China indicates that the hands being held out toward township and town enterprises have increased the burden on them. All sorts of irrational forcing of showdowns, extorting "assistance" and casual indiscriminate transfers of the capital and materials of township and town enterprises, forcing "higher grades" on them, changing jurisdictional relationships, and other wrong activities still exist to different degrees. Because township financial administrations still have

not been established in most regions, township and town enterprises have become a major revenue source for township governments. According to a survey in Hunan Province, township and town enterprises generally bear 20, 30, or even more burdens. Township-run enterprises in Hunan made actual profits of 206 million yuan in 1984, including expenses of 76.7 million yuan or 37.2 percent of total profits used for public affairs. Examples include educational expenses, family planning expenses, militia training expenses, relief for households enjoying the five guarantees [childless and infirm old persons who are guaranteed food, clothing, medical care, housing and burial expenses by townships], village cadre subsidies, and other burdens that press down upon the township and town enterprises.

5. Development of Township and Town Enterprises Should Integrate Rural and Urban Areas, Integrate the Medium and Small, and Integrate Collective-Run, Association-Run and Individual-Run Enterprises. First, an important route to accelerated development of township and town enterprises lies in establishing new types of urban-rural relationships and take the road of mutual assistance between industry and agriculture. Planned organization of the movement of urban forces of production to promote urban-rural cooperation can take many forms. Examples include: (1) Dispersing products and allowing township and town enterprises to produce some parts and products; (2) bringing in materials for processing; (3) supplying equipment and technologies and joint management of factories; (4) transferring scientific research achievements to township and town enterprises for trial production; (5) establishing raw materials production base areas, and so on. Second, we must abandon ideas that emphasize collectives and neglect individuals and shift to mutual advances by collective, household association, and family industries. Poor regions where township and town enterprises have just begun and economically underdeveloped regions should begin with a small foundation and focus on individual production and management and move forward from small to large. The development of commodity production and a specialized division of labor will make it inevitable that specialized households and family industries will want to cooperate. This involves taking the road of joint action on the basis of strict adherence to the principle of voluntarism and mutual benefit. The masses in all areas have used their practice as a basis for creating various forms of cooperation including shareholder dividends, joint investment administration, providing labor for capital and so on, all of which have a new cooperative content. This is of major significance for the development of township and town enterprises and invigoration of the rural economy, and it is certain to lead gradually to a flourishing economy and common prosperity in rural economy.

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SMALL-SCALE ENTERPRISES

NEW DEVELOPMENT OF URBAN-RURAL COMBINATION IN BEIJING

Beijing ZHONGGUO XIANGZHENQIYE BAO in Chinese 19 Mar 86 p 1

[Article by reporters Wang Ying [3769 4481] and Chang Yongping [1603 3057 1627]: "Breakthrough Developments in Urban-Rural Integration in Beijing Municipality--Leap out of the Courtyards, Walk Away from Dead Ends, Avidly Work at Integration--the Number of Industrial and Agricultural Integrated Enterprises Grew to 300 in 1985, Nearly Three Times Higher Than 1984, Dispersal of Parts Increases 47 Percent, Products Transferred Downward Increase 19 Percent"]

[Text] These reporters learned from the Beijing Municipality Work Conference on Urban-Rural Integration, Industrial, and Agricultural Cooperation and Industrial Support for Agriculture held on 8 March 1986 that Beijing Municipality has made breakthrough developments in this area. Urban-rural integration has changed from a fad of the past to the fads of industry and agriculture. Many farsighted enterprises in the city are leaping out of their courtyards, walking away from dead ends, and surging toward rural areas to engage in integration. Based on the CPC Central Committee's four decisions concerning construction principles for the capital and the need for comprehensive urban planning in Beijing, the construction of factories is prohibited within the three loop roads and there are strict controls on industries in the near suburbs. In addition, some polluting and noisy enterprises and workshops must continue to move, so it is becoming increasingly difficult for industries in the city to extend themselves. Based on this objective situation, the Beijing Municipal CPC Committee and the Beijing Municipal Government have adroitly guided their actions according to circumstances over the past few years in summarizing and extending the "Bailan Way," and therefore they reinforced work on urban-rural integration and achieved pleasing results.

—Industrial and agricultural integrated enterprises have been developing rapidly, expanding to 300 during 1985, nearly threefold greater than in 1984. These integrated enterprises have invested 226 million yuan, roughly one-half of it from bilateral industrial and agricultural investments, that can employ 21,000 rural laborers. Their value of output after all go into production may reach 500 million yuan. The 197 factories that went into operation during 1985 alone have realized a value of output of 142 million yuan and actual profits of 27.2 million yuan.

--The "Bailan Way" is becoming broader, with increasing numbers of city enterprises dispersing their products and parts processing to township and town enterprises. According to statistics, there was a 47-percent increase in the dispersal of parts in 1985 compared with 1984, with township and town enterprises earning 190 million yuan in processing fees, up 30 percent over 1984. There was a 19-percent increase in product dispersal and a value of output of 592 million yuan, up 28.6 percent over 1984.

--Factory assistance to agriculture is increasing and the results in township and town enterprises are obvious. The number of city factories participating in factory-village linkups increased from 602 in 1984 to 670. After linking up with township and town enterprises, various measures were adopted to provide greater benefits to township and town enterprises. In Daxing County, for example, actual profits in the 59 township and town enterprises that were set up with assistance by factories supporting agriculture rose from 12 million yuan in 1984 to 15 million yuan. The value of output for products transferred down by factories that provide assistance to agriculture in Daxing County increased 54 percent between 1984 and 1985.

--New breakthroughs have been made in providing assistance to mountainous areas. Mountains cover 62 percent of the total land area of Beijing Municipality and 13 million peasants live in them. Production is comparatively backward and life is rather difficult. Work to assist agriculture in Beijing has focused on mountainous areas, with 60 percent of the factories that assist agriculture in the city providing assistance to mountainous areas and changing the face of the mountains. Miyun County marked off 220,000 mu of land to repair a reservoir, making production and life quite difficult for the masses there. The Beijing Municipality CPC Committee and Beijing Municipal Government focused on helping Miyun and 60 factories in Beijing's clothing and construction industries alone are assisting township and town enterprises in Miyun County. The value of output in the clothing industry in Miyun increased from 22 million yuan in 1984 to 33 million yuan.

Beijing Mayor Chen Xitong [7115 1585 0681] and leaders of the Beijing CPC Committee and Municipal Government Comrades Zhang Jianmin [1728 0256 3046], Huang Chao [7806 6389], Wang Xian [3769 2009], Yan Chengzong [7051 2110 1350], Yin Hengfeng [1438 1854 0023] and other comrades summarized experiences at the Work Conference on Urban-Rural Integration, Industrial and Agricultural Cooperation and Industrial Support for Agriculture held in Beijing Municipality and pointed out clearly that given the situation of problems in taking up land, finding investments and recruiting workers, industries in the city should work for stronger integration of urban and rural areas, make full use of the plentiful factory building, factory site, and manpower advantages of township and town enterprises in a major effort to develop township and town enterprises. This is an essential route to take for building up small suburban towns and thereby promoting urban-rural integration, invigoration of the rural economy, constructing Chinese-style socialism, and eliminating the three major distinctions [between town and country, industry and agriculture, and physical and mental labor].

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SMALL-SCALE ENTERPRISES

HEILONGJIANG TOWNSHIP, TOWN ENTERPRISES PROSPER

Harbin HEILONGJIANG RIBAO in Chinese 25 Jul 86 p 1

[Article by Xu Diangong [1776 3013 0501]: "Adhering to the Correct Policy and Expanding Horizontal Integration, Output Value and Profits of Township and Town Enterprises Fulfill More Than Half of Yearly Plan in the First 6 Months"]

[Text] With the help and support of various quarters in overcoming difficulties, such as fund shortages, insufficient energy resources, and price rises of raw and processed materials, Heilongjiang's township and town enterprises, in the first half of the year, have achieved profits and an output value that equal more than one-half of the yearly plan. With a 32.7-percent increase of the total output value, and a 28.6-percent increase in profit, this represents a fairly large increase over the same period last year.

The reason why Heilongjiang's township and town enterprises have been able to achieve rather good results in the first half of this year is, first of all, because the various levels of government have strengthened leadership, formulated policies and measures to safeguard and promote growth, and ensured the beginning of proper management activities in township and town enterprises. At the same time, leaders at every level have improved the emphasis on method in their work. The Hailin County CPC Committee and the county government has formed a group of cadres to be divided among and assigned to each county and village to implement the responsibility system and develop village-run enterprises. At the end of 6 months, the entire county had set up 45 additional village-managed enterprises. Second, is the new growth of a horizontal economic integration. The horizontal integration of the cities in prefectures like Songhua Jiang, Suihua, Mudanjiang has obtained clear results. The first half of the year brought about the horizontal integration of 573 projects, with a newly increased output value of more than 81 million yuan, and profits tax of over 16 million yuan. The city of Mudanjiang alone brought in more than 11 million yuan from the outside. Third, is the new growth in village-run enterprises. Village-run industries throughout the province have produced an output value of 430 million yuan, amounting to more than 40 percent of Heilongjiang's township and town industrial output value. Eighty-four percent of the villages in the suburbs of the city of Mudanjiang have village-run industries, 33 of which have an output value of over 1 million yuan, with the output value of village-run enterprises amounting to 46 percent of the total output value. Fourth, is the vigorous support of the relevant departments. The finance, taxation, price, and personnel supervisory bureaus, the Agricultural Bank, the Scientific and technological Commission, and other departments have solved many specific problems concerning township and town enterprises by relaxing restrictive policies and by doing good solid work.

SMALL-SCALE ENTERPRISES

GUIDING PRINCIPLE OF TOWNSHIP ENTERPRISES IN SICHUAN

Beijing SICHUAN RIBAO in Chinese 21 Mar 86 p 1

[Article: "Work Quickly with the Best, Be Concerned with Results, Sustain Development--the Sichuan Province Township and Town Enterprise Work Conference Decides upon the Principles and Focus of Township and Town Enterprise Development"]

[Text] The Sichuan Province Township and Town Enterprise Work Conference that closed on 19 March 1986 proposed that we work quickly with the best, be concerned with results and sustain development, which are the overall requirements for the development of township and town enterprises during 1986 in Sichuan.

This conference was chaired by the Sichuan Provincial Government. The main content of the meeting was: working for greater unification of ideology and understanding concerning development of township and town enterprises, summarizing and exchanging experiences, clarifying developmental principles and points of focus, and studying ways to strengthen enterprise management and administration and measures to improve economic results to guarantee even better completion of our tasks for 1986. Leading comrades in the Sichuan Province CPC Committee and Provincial Government Yang Rudai [2799 3067 1486], Jiang Minkuan [5592 3046 1401], Xie Shijie [6200 0013 2638] and Liu Chunfu [0491 4783 1133] spoke at the conference.

The rate of development of Sichuan's township and town enterprises was the fastest ever and economic results were the best ever in 1985. Their gross value of output reached 14.4 billion yuan, actual gross income was 12.86 billion yuan, actual profits were 820 million yuan and they paid taxes of 600 million yuan, up 62.4, 74.7, 54.7 and 62 percent, respectively, over 1984. There were 49 counties (districts) in Sichuan where the gross value of output in township and town enterprises exceeded 100 million yuan. These results were achieved by overcoming a capital shortage, serious shortages of raw materials and other problems, and the township and town enterprises have made a major contribution to invigoration of the rural economy in Sichuan Province.

The conference pointed out that during the first year of the Seventh 5-Year Plan, township and town enterprises should summarize their experiences, encourage achievements, overcome difficulties and advance victoriously. They

should clarify the guiding ideology of township and town enterprises, resolutely adhere to the principle of "active support, rational planning, correct guidance and stronger management," and they should combine adherence with macroeconomic controls with microeconomic invigoration. They should rely mainly on their own efforts with some secondary assistance by the state and focus on improvement of economic results and concentrate on strengthening management and administration and technical transformation in existing enterprises. The focus in township and town enterprises during 1986 should be placed on development of industries processing farm and sideline product, the energy resource and mining industries, the construction and construction materials industries, and tertiary industries with guidance by categories. They should focus on development enterprises run by peasant households and associations of households so that "the five wheels roll along together." They should open up to the outside world and establish linkages within China and take action to expand economic and technical cooperation within and outside of Sichuan Province. They should focus on wrapping up capital construction projects that are under construction and forming fully integrated systems to get results as quickly as possible. They should focus on improvement of economic results to carry out enterprise consolidation and perfect systems of contractual responsibility for management and try to improve enterprise management and administration standards. They should work in a comprehensive manner to carry out technical transformation and arm the enterprises with science and technology to promote technical progress. They should establish a full-service system and strengthen organization and coordination.

Certain policies related to the development of township and town enterprises also were clarified at the conference.

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SMALL-SCALE ENTERPRISES

SHANGHAI'S EXPERIENCE IN ACHIEVING PROSPERITY

Beijing ZHONGGUO XIANGZHEN QIYE BAO in Chinese 30 Apr 86 p 1

[Article by staff reporter Gong Jiemin [7895 0094 3046]: "The Real Stuff of Shanghai's Millionaires Is Dependence on Talents and Technology--Diversified Experience of Getting Rich on a Bumpy Road of Advance. In Human Resource Development, They Find Every Possible Way To Employ Talent, To Bring in Talent, To Increase Investment in Brainpower. At the Same Time, They Place Emphasis on Importing Technology, To Create 'Top Quality Products' and Obtain 'First Class Results.'"]

[Text] In 1985, the industrial profits (including industrial and commercial income taxes) of 56 townships (and towns) in Shanghai reached 10 million yuan. These "millionaire" townships account for a fourth of Shanghai's 206 townships and towns.

The emergence of groups after groups of "millionaires" is an inevitable outcome of Shanghai's rural areas adhering to reform, rationally transferring labor forces, vigorously readjusting industrial structure, and developing the commodity economy on a large scale. In the 7 years since 1978, the total industrial output value of these 56 townships (and towns) nearly quadrupled, the proportion of the secondary and tertiary industries reached 85 percent, labor forces engaged in these two industries accounted for 60 percent, the average total industrial output value of each township was over 70 million yuan, and the average per capita income of commune members was over 800 yuan.

Although these "millionaires" each have their own strong points on the bumpy road, they share some common experiences:

1. Insisting on quality first, on perfect inspection systems, and doing a good job in all-round quality control. To ensure product quality, these "millionaires" adopted a series of resolute measures: consider product quality as the main basis for the computation of bonuses and tie it to the economic interests of individuals; establish and continue to perfect product quality inspection and supervision systems; and attach importance and give priority to reputation and conduct internal social supervision.

2. Paying attention to intellectual and human resource development, improve the quality of the ranks, and improve enterprises' ability to compete. In

regard to the issue of human resource development, the "millionaires" "try every possible way" to do three things: a) Hire competent people without sticking to any pattern while heeding to their political quality. In the past 2 years, Chenxing Township of Shanghai County boldly transferred over 50 major cadres in rural industries and promoted 43 able persons who have knowledge in technology and management to leading posts. As a result, seven plants succeeded in doubling their profits in 1 year. b) Bring in talented people by various means such as transferring, inviting, borrowing or hiring them as consultants and advisors. c) Increase investment in brainpower and spare no money in training talented people. Supported by the Shanghai Steam Turbine Plant and the Chinese University of Science and Technology, Qianqiao Township of Fengxian County earmarked over 300,000 yuan for the funding of vocational schools, secondary schools of chemical industry, and short-term special training classes; trained over 200 specialized technicians; and sent 24 selected backbone technicians to seek advanced studies at institutions of higher education. It is by relying on this contingent that the township has been able to sell its machine-building products to 28 provinces and municipalities in China. All sealing elements used in the tub of world-famous "Shuixian" brand washing machines are provided by the rubber factories of this township. The micro-bearing rubber glands from this township have also managed to squeeze into the U.S. market.

3. Continuing to perfect the system of contracted responsibility, improve the management quality of enterprises, and increase economic results. All of these "millionaires" have paid close attention to the comprehensive utilization of the diversified contents and forms of the responsibility system and improve overall economic results. Beicai Township of Chuansha County has implemented in a thorough way the economic responsibility system of "sharing profits in a fixed proportion to net income." In addition, it has successfully implemented a system for the selecting and hiring of cadre, a factory director responsibility system, and a system for setting up boards. It has also subjected plant directors to a 100-point evaluation system and a score-based bonus system, thereby injecting vitality into enterprises. In 1985, the profits of all rural industries in this township increased 1.5-fold compared to 1980.

4. Paying attention to technological imports and development, raising labor productivity, and continuing to increase enterprises' ability to compete on domestic and foreign markets. All "millionaires" have paid attention to relying on scientific and technological means, creating "first-class economic results" and "first-class quality products," to increase the competitiveness and market share of products. Take the Guangming Electric Light Socket Plant in Jianbin Township of Jiading County for instance. Thanks to advanced technology, screw and jack sockets produced by this plant won first place in national socket quality evaluation for 5 consecutive years and their sales volume accounts for a sixth of the nation's total. .

5. Using favorable conditions of large cities such as scientific research institutes, technology, and harbors to create various forms of integrated bodies and expand on the advantages of such bodies to develop the production of export products and increase the ability to earn foreign exchange. A group of bodies integrating trade with industry, with agriculture, and with science

have emerged in these townships and towns. Xiasha Township of Nanhui County cooperated with Shanghai's foreign trade department in establishing a wooden screw export production base for Shanghai. The output of this base accounts for over 60 percent of the total and its designs, varieties, specifications and quantity all account for over 30 percent of the total. Over the past decade or so, it has earned over \$20 million in foreign exchange for the state.

6. Having township leaders with correct guiding ideology, a pioneering and enterprising leading body, and a strong and effective leadership and management system. The party and government officials of these townships and towns are able to assume overall responsibility for the economic situation as a whole in their townships during the process of comprehensive development of agriculture, industry, commerce, and transportation.

12302

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SMALL-SCALE ENTERPRISES

ZHEJIANG EXPORTS TOWNSHIP ENTERPRISES PRODUCTS

Beijing ZHONGGUO XIANGZHENQIYE BAO in Chinese 26 Mar 86 p 1

[Article: "One Thousand Township and Town Enterprises in Zhejiang Are Exporting Their Products--They Are Taking Aim at International Markets and Developing Extroverted Enterprises--Value of Output in 1985 Reached 360 Million Yuan, up 38 Percent over 1985"]

[Text] Under guidance by the policy of opening up to the outside world, more than 1,020 township and town enterprises in Zhejiang have pushed their way into international markets and have become an important force in exporting to earn foreign exchange. In 1985, the value of output of township and town enterprises products surpassed 360 million yuan, up 38 percent over 1984.

During 1985, CPC committees, government and township and town enterprise administrative departments focused their attention on leading township and town enterprises to develop products to earn foreign exchange and rely on the utilization and development of rural resources. Ningbo, Danshan, and other cities and prefectures have been earnestly summarizing and extending the model experiences of the Qiual and Baiquan refrigeration plants, which organized frozen poultry processing according to market demand and developed the breeding industry according to processing demand and have been actively taking the developmental path of "trade, industry, and agriculture" to lead township and town enterprises in developing the rural industry processing export products. Some cities, prefectures and counties have taken the initiative in guiding township and town enterprises in the use of local natural resources to supply international markets with their unique local handicrafts, light industry, and textile products, and so on. In July 1985, the Xianju County township and town enterprise bureau established a special handicraft products company in Xianju County, located in the mountains of southern Zhejiang, to manufacture bamboo, wood, and reeds into handicraft products and enter international markets and to design and develop new products for township and town enterprises and open up export channels. The establishment of this company raised the number of township and town enterprises engaged in handicraft production from more than 10 to more than 70, and the number of handicraft products being exported now exceeds 2,000.

Township and town enterprises also have taken advantage of the large numbers of returned overseas Chinese in Zhejiang Province and taken the initiative in

using many channels to import foreign capital, technologies, raw materials, and so on to develop custom processing, compensation trade, joint investments in building factories and other types of enterprises earning foreign exchange that integrate "technology, industry, and trade" to increase their capacity to earn foreign exchange. The Hangzhou Universal Joint Plant, for example, used the requirements of quality and technical standards of the Duo yi er [1122 0122 1422] Co in the United States in 1985 to produce automobile universal joints to 11 specifications and placed the first Chinese-made universal joints into U.S. markets. According to our understanding, joint Chinese and foreign investment, cooperation, and other types of projects within Zhejiang's township and town enterprise system had grown to 34 by the end of 1985, more than double the number in 1984.

To bring about greater development of export foreign exchange earnings in township and town enterprises, departments that administer these enterprises have given attention to information, technology, personnel training, opening export channels, and other aspects, and they have been active in serving township and town foreign trade enterprises. Many cities, prefectures, and counties are organizing forces to aid township and town enterprises in doing foreign trade resource surveys. In October 1985, the Zhejiang Province township and town enterprise bureau trained directors and assistant directors in charge of foreign trade work in township and town enterprise bureaus from each city, prefecture, and county. This rather systematically assisted these leaders to study and grasp basic knowledge concerning foreign trade, technology imports, Chinese and foreign joint investment and cooperation, foreign exchange management, and so on to satisfy the need to guide township and town enterprises in developing foreign trade production.

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SMALL-SCALE ENTERPRISES

ZHEJIANG ENTERPRISES OVERFULFILL TASKS FOR 1985

Beijing ZHONGGUO XIANGZHEN QIYE BAO in Chinese 26 Apr 86 p 1

[Article by Zhu Jie [2612 2638]: "The Gross Output Value of Zhejiang's Township and Town Enterprises in 1985 Showed a Net Increase of Over 10 Billion Yuan Compared With 1984--Wang Fang, Secretary of the Zhejiang Provincial CPC Committee, Congratulates Zhejiang's Township and Town Enterprises"]

[Text] At the recent Zhejiang Provincial Work Conference on Township and Town Enterprises, Wang Fang, secretary of the provincial CPC committee, delivered a speech, congratulating township and town enterprises for overfulfilling the task to break the record of 20 billion yuan in gross output value in spite of adverse conditions created by the extreme shortage of funds, raw materials, energy resources, and transportation while managing to synchronize the growth of output value, sales income, and profits and ensuring that they amount to a third of Zhejiang's gross industrial and agricultural output value.

In 1985, the gross output value of Zhejiang's township and town enterprises came to 25.6 billion yuan, a net increase of over 10 billion yuan compared to that of 1984. Comrade Wang Fang said: To change rural appearance, township and town enterprises must be further developed and especially those mountainous and economically underdeveloped areas must make great efforts to develop township and town enterprises. The position and function of township and town enterprises have been made very clear by the central government. We should further improve our understanding to keep in step with the central government. The general task and guiding ideology for 1985 is to adhere to proceeding from reality and do a good job in giving categorized guidance. Areas where township and town enterprises are well developed should concentrate their energies this year on technological progress, administrative and managerial improvement and reducing energy and raw material consumption. They should not start new projects. Areas where township and town enterprises are not well developed may properly develop such enterprises. Areas where township and town enterprises have just started or have not yet started should vigorously develop them. In sum, we should avoid arbitrary "uniformity." By emphasizing the need to continue to develop township and town enterprises in 1986, we mean that we should devote more energy to further improving product quality, increasing economic results, raising administrative and managerial levels, expanding intensive production, and especially consolidating existing township and town enterprises.

Comrade Wang Fang also called on township and town enterprises to strive through great efforts to develop a number of export- and international market-oriented, foreign exchange-earning enterprises. He said: Zhejiang already has some export-oriented, foreign exchange-earning enterprises such as the Universal Coupling Plant of Hangzhou, the Qiuyi Cold Storage Plant of Yinxian, and the Baiquan Cold Storage Plant of Dinghai whose products have already entered international markets. However, there are still not enough of them as far as the number is concerned. Township and town enterprises have great potential for exports which is waiting to be tapped. Comrade Wang Fang also said: Our township and town enterprises should not belittle small commodities because small-scale production of small commodities can bring in a lot of money too. For instance, the button market at the end of the Yongjia Bridge should also face international markets by providing not only domestic but also international button samples.

12302

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CONSTRUCTION

URBAN CONSTRUCTION RESULTS IN SIXTH 5-YEAR PLAN DETAILED

Beijing CHENGXIANG JIANSHE [URBAN AND RURAL CONSTRUCTION] in Chinese
No 7, 5 Jul 86 pp 27, 32

[Article by Lu Ming [6424 2494]: "China Achieved Outstanding Results in Urban Construction in the Sixth 5-Year Plan"]

[Text] According to statistics in "Urban Construction Annual Reports," China invested 18.05 billion yuan in urban construction fixed assets in the Sixth 5-Year Plan, adding 13.1 billion yuan of new fixed assets and achieving a delivery rate of 72.5 percent. Of this investment in fixed assets, 12.18 billion yuan was invested in capital construction, being a 1.7-fold increase over the Fifth 5-Year Plan and the highest investment level since the founding of the PRC; the pace of renewal and transformation of enterprises was accelerated somewhat, with 5.87 billion yuan being invested in it.

A total of 29 large and medium-sized projects were built in the Sixth 5-Year Plan. Those completed and put into operation include the following: 12 projects, such as the Beijing gas-transport project, the first and second stages of the Beijing subway project, the Handan water-supply project in Hebei, the Harbin water-supply project, the first stage of the Biliu River diversion works project in Dalian, the Beijing water-supply project, the first stage of the Changchun water-supply project, the Changqiao waterworks in Shanghai, and the Yujiatou waterworks in Wuhan.

The increased production capacity of urban facilities in the Sixth 5-Year Plan (including both capital construction and renewal and transformation) was also quite impressive. In the area of public facilities: the urban tapwater supply increased 10.08 million tons a day, 7,905 km of water pipeline were laid, and the water-usage dissemination rate reached 81 percent; the urban gas production capacity increased 2.08 million cubic meters a day, the storage capacity of liquefied gas increased 29,000 tons, and the gas-usage dissemination rate rose from 17.1 percent in 1980 to 22.5 percent in 1985; 19,000 public transport motor vehicles were bought, and the ownership of motor vehicles rose from 3.6 per 10,000 people in 1980 to 3.8 per 10,000 in 1985. As to municipal facilities, 4,716 km of sewer lines were laid in the past 5 years, and daily sewage treatment capacity increased 910,000 tons, reaching 1.54 million tons a day by the end of 1985.

Urban roads were extended 3,996 km in length and 51.29 million square meters in area, with road area reaching 3.1 square meters per capita in 1985, or 0.3 square meters per capita more than in 1980; 504 permanent urban bridges, such as river crossings and overpasses, were built, improving transport capacity and results.

Urban construction departments built 17.52 million square meters of housing in the Sixth 5-Year Plan. Of this, 1.38 million square meters were various types of workshops, such as waterworks, gasworks and sewage treatment plants, and 11.87 million square meters were living quarters for family members, with roughly 240,000 families of urban construction staff members and workers having moved into new homes.

Clear changes occurred in the structural proportions of investment in urban capital construction in the past 5 years. Before the Sixth 5-Year Plan, approximately one-half of the investment in urban capital construction came from the state. But having been affected by the idea of "stressing production to the detriment of living standards," investment by the state in the urban construction sector accounted for only about 2 percent of total state investment. Inadequate investment was the major reason why the urban image was backward for so long. After the 3d Plenum of the 11th CPC Central Committee, the policy of "the people building their own cities" was carried out, channels were opened, and funds were raised in many ways, greatly increasing urban construction funds. In particular, after the state-assigned maintenance fee, the dual business surtax, and collection of 5 percent of industrial and commercial profits were abolished, and collection of a 7-percent urban maintenance and construction tax was instituted in 1985, sources of urban construction funds were stabilized and increased; moreover, the state also deregulated planning, allowing some investment to be unplanned and nontargeted. Thus, great changes occurred in the structural proportions of investment in urban capital construction in the Sixth 5-Year Plan. The proportion of state-budgeted investment dropped from 54.5 percent in the Fifth 5-Year Plan to 34.2 percent, while the proportion of extra-budgetary investment rose from 45.5 percent in the Fifth 5-Year Plan to 65.8 percent. The major reason why the proportion of extra-budgetary investment clearly increased was the large increase in independently raised investment, which reached 59.4 percent in 1985.

Urban construction in the past 5 years was based on the principles of doing things in order of importance and urgency and acting according to one's capability, and the proportions of the investment of limited funds among all lines was suitably modified in a planned way. Investment priorities were put on spreading urban water usage, accelerating gasification of urban fuel usage, and intensifying construction of the urban road system. The proportions of investment in all lines of urban capital construction were as follows: water supply, 19 percent; drainage, 10 percent; roads, 20.1 percent; bridges, 5.2 percent; flood control, 1.5 percent; public transport, 9.4 percent; gas, 12.9 percent; parks-greening, 4.1 percent; and environmental sanitation, 2.2 percent.

Compared to the Fifth 5-Year Plan, the structural proportions of investment in all lines changed in varying degrees. Since the investment in gas began late, the increase in its proportion was quite large, rising from 5.3 percent in the Fifth 5-Year Plan to 12.9 percent; the proportion of investment in roads also increased clearly; capital construction investment in environmental sanitation was nearly nonexistent before 1979, but it too increased greatly in the Sixth 5-Year Plan; the proportions of investment in drainage, bridges, and parks-greening also rose. Investment in the water supply was over 1.1 billion yuan more than in the Fifth 5-Year Plan, being second only to that in roads, but since the base was too large, the proportion of investment seemed, instead, to decline. Much investment in public transport was listed as renewal and transformation, such as in investment plans based on fixed assets, but investment in public transport in the Sixth 5-Year Plan was basically the same as that in gas.

Although outstanding results were achieved in urban construction in the Sixth 5-Year Plan, the position and role of urban construction in the national economy still did not receive the attention that they deserved. Construction of some urban facilities, which should have been listed as being of a productive nature, was still regarded as being nonproductive; some major construction projects failed to be brought into line with large- and medium-sized state construction projects, financial and material resources could not be ensured, and thus, construction of urban facilities could not be synchronized with that of other industries; fund channels were still not very open; the state-planned proportion of investment in capital construction was too small; the tax rate for urban maintenance and construction was too low, and the revenue of many cities fell somewhat after the substitution of taxes for profits. We must conscientiously study and take effective steps to solve all of these problems in the Seventh 5-Year Plan.

12267/12858
CSO: 4006/1262

CONSTRUCTION

BRIEFS

PINGQUAN-SHUANGJING HIGHWAY--Full-scale construction began on 1 July on the Chengde Section of the Pingquan-Shuangjing Highway, one of the key construction projects of the Seventh 5-Year Plan. It is expected to be put into service by the end of 1988. The Pingquan-Shuangjing Highway is a major rebuilding project in Hebei Province. It is being surveyed and designed by the Second Highway Planning Office of the Ministry of Communications and constructed by the First and Second Highway Construction Bureaus of the Ministry of Communications and the Communications Bureau of Chifeng City. At a cost of 123 million yuan, the construction project, rated as Class 2 according to highway standards, measures 328 kms from the 362 K marker on the Jingcheng northern line in Pingquan County in Hebei Province to Shuangjing in Chifeng in Nei Monggol. This repair and construction project will play a most important role in promoting the circulation of commodities among Nei Monggol, Liaoning, and Hebei and economic construction in the mountainous regions. [Text] [Chengde JINGJI XIAOXI in Chinese 15 Jul 86 p 1] 9621/12851

CSO: 4006/1255

DOMESTIC TRADE

SPREAD OF SHANGHAI'S LATERAL ECONOMIC TIES REPORTED

Shanghai JIEFANG RIBAO in Chinese 12 May 86 p 1

[Article by Sang Xun [2718 6598] and Huang Jiasheng [7806 0857 3932]: "Shanghai's Commercial System's Lateral Links Spread Throughout Nation; Industrial-Commercial, Agricultural-Commercial, Intercommercial and Other Varied Links Formed, Promoting Production Development, Technological Progress, the Forming of Closer Ties Between Production and Marketing and the Increase of Economic Returns"]

[Text] Some companies and wholesale departments of Shanghai Municipality's commercial system have initiated diverse lateral economic ties between industry and commerce, agriculture and commerce and between different commercial units, thus reforming the commodity circulation system. As of this date, these ties have spread to 27 provinces, cities, and autonomous regions throughout the country and have promoted the development of production and technological progress, have lead to closer relations between production and marketing and have increased economic returns.

The commercial system's linkups can be summed up and divided into the following several categories:

Production-Marketing Ties: The first commercial bureau system has established ties with more than 300 outside factories to purchase over 350 product varieties, the value of which in one season came to more than 100 million yuan. Outside industrial products were not only imported into the Shanghai market, but circulated throughout the country via Shanghai as well. The second commercial bureau and the supply and marketing cooperative system implemented ties with the commercial enterprises and agricultural byproducts production units of more than 100 regions. Some commercial enterprises put their characteristic vast contacts and good information sources to use to act as go-between for Shanghai and outside factories and implemented "industrial-industrial-commercial" integration based on industrial ties with and commercial purchases on the outside.

Marketing Ties: In order to market Shanghai products throughout the country and open up a stable marketing base, all the wholesale companies have initiated various forms of marketing ties with more than 80 enterprises of 18 provinces and cities nationwide, including selling on commission, combined sales and

the creation of sample shops and specialized counters. After combining operations, the city Educational Implements Wholesale Co. and the Shenyang Educational Clock and Watch Wholesale Co. maximized each other's advantages and minimized each other's shortcomings to rapidly double product sales volume of the Shenyang company.

Group Ties: The city No 1 Department Store, the 10 stores and other large-scale retail enterprises recently joined a nationwide department store linkup to form a new-style interregional network of commercial ties, based on retail enterprises, backed up by industrial enterprises, characterized by combined marketing, and founded in the principle of making the market prosperous. Not long ago, the "Combined Economic Trade Association" voluntarily organized by the other 11 large and medium-sized department stores in the city expanded operations, linking up with outside factories in the city, replenishing stock directly and implementing combined purchasing and sales or combined purchasing and separate sales, thus rapidly enhancing the enterprises' economic vitality.

Production Ties: Quite a few factories of Shanghai's commercially run industry are energetically initiating production ties with the appropriate factories in all regions. The Dingshanhu Brewery of the second commercial bureau joined with the Dantu Distillery to produce rice wine, for which raw materials were obtained locally and guidance was supplied by Shanghai. Their Xiangxue Wine is already available in the city.

Technological Ties: The 6,000-egg-a-day-output production conveyor system designed by the city's egg company for Anhui's Tongling City Food Products Co. increased local processing efficiency 12-fold and reduced costs 70 percent.

Convention-Style Ties: Shanghai is providing some articles of daily use to its sister regions to obtain raw materials necessary to support the city's industrial production. At present the scope of coordinated linkups includes industry, agriculture, and commerce, and products entailed include metals, wool, chemical fibers, leather goods, rubber, paper, raw materials for the chemical industry, and so on.

Investment and Other Ties: The city's Electronic Goods Wholesale Co invested 4 million yuan in the Lanzhou Aluminum Factory, for which it is compensated by aluminum ingots. The company in turn, uses the ingots to assist the city's factories.

12221/9869
CSO: 4006/1120

DOMESTIC TRADE

GROWTH IN SHANGHAI'S SOURCE OF EXPORT GOODS

Shanghai JIEFANG RIBAO in Chinese 23 May 86 p 1

[Article by Chen Xuela [7115 5185 4257] and Gao Xiaoxiao [7559 5235 4562]: "Source of Goods for Exports from the Port of Shanghai Continues To Increase; Horizontal Relations With 29 Provinces and Cities Nationwide Energetically Developed; At Present One-Fourth of Shanghai's Sources of Goods for Sales Outside the City Are Used in Exporting"; Portions within slantlines in italics]

[Excerpt] By the export of capital, technology, equipment information, and materials, and the retrieval of retained foreign exchange, Shanghai's foreign trade department have achieved good results in establishing horizontal relations with 29 provinces and cities nationwide to develop export commodities, leading to a constantly increasing supply of goods from the outside to the port of Shanghai for export use. In 1985 the total value of goods supplied to Shanghai for export by outside localities was 2.5 billion yuan, or 25 percent of the city's total exports. That figure increased again in the first 4 months of this year.

In the last few years, due to the fact that all localities have been engaged in management over their own exports, and in particular, due to the gradual shift from planned to negotiated allocations, the volume of goods for export supplied to Shanghai from outside provinces and cities fell dramatically, thus diminishing the role of the city's port. Shanghai's foreign trade departments realized that the expansion of the city's foreign trade requires not only the development of Shanghai's export products, but the use of the advantages of Shanghai's sister cities, in particular, those in the Shanghai economic zone as well to support their export activities while developing economic cooperation in exporting between these cities and Shanghai in order to increase the number of sources of marketable goods.

/The provision of capital to outside provinces and cities to assist them in the development of community production is the primary characteristic of economic cooperation between Shanghai's foreign trade enterprises and outside regions./ Shanghai has invested appropriately in all the 200-300 joint ventures involved in the manufacture of export products. The Shanghai Export Commodity Construction Co. has established lateral relations with the relevant import-export firms in Shanghai to invest more than 20 million yuan to 30 or

40 jointly operated factories, increasing the value of sources of marketable goods by 100 million yuan and obtaining several billions of U.S. dollars in foreign exchange via export.

/The export of technology and equipment and the expansion of production capacity are other special characteristics of Shanghai's economic cooperation with outside regions and the resulting increase in export products./ The Shanghai Arts and Crafts Import-Export Co. has, since last year, already imported more than 100 pieces of key equipment for the appropriate factories in regions outside the city, for a value of \$300,000 to \$400,000, which after being put into production, raised product quality and labor productivity, increased output value more than 5 million yuan and enhanced the capacity to earn foreign exchange by more than \$1.5 million. The advanced equipment imported by the company for Jiangsu's Changshu Padauk Wood-Carving Factory led to the continued increase of the factory's output value, which grew sixfold within a few years and enabled designers to set aside even more time to concentrate on designing and making daring innovations. In addition to producing padauk screens carved with swimming dragons and flying phoenix patterns, screens carved with the poems of famous, ancient poets were manufactured as well, which enabled a doubling of the price of the factory's export products. Last year, the Shanghai Textile Products Import-Export Co. brought in new production equipment and measuring instruments for two dyeing plants in Jiangsu and Anhui and organized engineers and technicians from Shanghai to go to the plants to conduct on-the-spot guidance, enabling the plants to rapidly increase production. The Jiangsu plant can provide Shanghai with 2.4 million meters of textiles a year for export.

/Shanghai's foreign trade departments have adopted various measures and invited the appropriate factories from all outside regions to participate in trade fairs, negotiation conferences and inspection tours abroad in order to facilitate the obtaining of foreign information./ For example, the Shanghai Drawnwork Combined Import-Export Co. cooperated with the Suzhou Combined Embroidery Factory to promptly provide the factory with new patterns needed on the international market. Based on this information, the factory designed new varieties combining the foreign models with China's traditional patterns. The orders from one U.S. company alone increased from 20,000 yuan in the first half of the year to 6 million yuan in the second half. The Shanghai Arts and Crafts Import-Export Co. provided the Main Zhejiang Huangyan Huangshen Gift Factory with space on their inspection tour abroad which were taken up by the factory's director and salesman on a trip to high-level gift markets in the FDR and France. With the large volume of information they obtained, the factory designed more than 100 brand-new Christmas and Easter gifts within 1 year's time, leading to an increase of more than 7 million yuan in the value of the plant's export products last year.

/At the same time, Shanghai exports important materials and has organized factories of all regions in the manufacture of export commodities. In addition to providing steel products and metals, Shanghai also imports processes and exports raw materials for the appropriate outside factories./ Quite a few provinces and cities have signed contracts with Shanghai to provide the city with marketable export commodities; Shanghai gives local enterprises incentive funds

and the right to retain foreign exchange according to locally stipulated export incentive standards. Last year, the total amount Shanghai granted the localities in retained foreign exchange alone came to more than \$150 million, which made the relevant outside enterprises feel that providing products to the port of Shanghai to export was more convenient than organizing exports on their own. Plus, there were more benefits which further aroused enthusiasm of both parties for cooperation in export and promoted the development of foreign trade.

12221/9869

CSO: 4006/1120

FOREIGN TRADE AND INVESTMENT

AGREEMENT WITH FRG TO CO-PRODUCE PASSENGER PLANES REPORTED

Hong Kong WEN WEI PO in Chinese 3 Jul 86 p 1

[Article: "China and West Germany Reach Agreement To Co-Produce Mid- and Long-Range Passenger Airplanes; Most Advanced Technologies of Both Parties To Be Used in Cooperative Designing, Production and Marketing; Integrated Office To Be Set Up in Hamburg"]

[Text] XINHUA--2 July 86--The HANGKONG SHIBAO [AVIATION TIMES] will report in its first issue tomorrow that the China Aviation Technology Import-Export Co delegation, headed by Deputy Premier Tang Xiaoping [3282 1420 1627] has reached a new agreement with the president of the FRG's MBB [Messerschmitt-Boelkow-Blohm], Wogesi [Chinese phonetic] on plans for the two countries to design and manufacture the new MPC-75 passenger airplane. As part of the agreement, a combined office is to be set up in Hamburg.

The MPC-75 is a new type of mid-II and long-range passenger jet with a 60 to 80 seat capacity. The newest, most advanced aviation technologies of both parties will be used to co-design, co-produce and co-market the airplane. Feasibility and verification studies are being carried out at present. The design and manufacture of the planes will be undertaken separately by the MBB Co and the China Aviation Technology Import-Export Co. Assembly will take place in Hamburg.

Deputy Premier Tang Xiaoping expressed China's willingness to cooperate with any other country that wishes to participate in the cooperative project. The HANGKONG SHIBAO is a 4 page weekly published by the Chinese Ministry of Aviation Industry. Zhang Aiping, head of the Ministry of National Defense, has provided a hand-written dedication for the first issue: "Dare to blaze new trails and soar like a magical eagle."

12221/12379

CSO: 4006/1218

FOREIGN TRADE AND INVESTMENT

EIGHT SHIPS TO BE DELIVERED FOR EXPORT IN FIRST QUARTER

Beijing GUOJI SHANGBAO in Chinese 12 May 86 p 1

[Article by Zhong Xin [6988 2450] "Six Large Shipyard Export Bases Are Being Built"]

[Text] In the first quarter of the year, China concluded transactions with foreign countries to export eight ships, totaling 220,000 tons. In the Seventh 5-Year Plan, China is to build six large vessel export bases. These six bases are respectively: the Dalian, Zhonghua, Shanghai, Jiangnan, East Shanghai and Guangzhou shipyards.

These six shipyards have in the past exported to the FRG, Norway, the United States, Singapore, and Hong Kong ships and offshore works of complex structure and a sophisticated level of technology, such as 8,200-ton container ships, 11,000-ton container ships, 36,000-ton bulk freighters, general purpose ships of more than 12,300 tons, 70,000-ton cylinder ships, 69,000-ton finished oil tankers, and self-elevating well-drilling platforms. A 115,000-ton shuttle oil tanker and 118,000-ton shuttle oil tanker contracted for by Norway are now being built at the Dalian shipyard. The former will be ready and delivered for use this year.

During the Seventh 5-Year Plan, China will invest in the expansion and reformation of these six shipyards. Among the six, the Dalian shipyard will complete a 100,000-ton berth conveyance system, the Jiangnan shipyard is to increase production of ship hull assembly welding platforms, the East Shanghai shipyard will also build a new welding assembly shop and transform the berths to increase production capacity from 35,000-ton class ships to 60,000-ton class ships. It is estimated that by 1990, the production capacity of these shipyards will represent more than two-thirds of China's shipping industrial company.

According to information provided by the Chinese shipping industry company, since 1979 when Chinese ships entered the international market as a commodity, China has built 112 ships and has exported 3 offshore self-elevating well-drilling platforms, earning the nation 1.27 billion yuan in foreign currency.

Currently, China has the capability to build ships to any international specifications, for navigation in any navigational area, and for use by any country. The types of vessels being built have already progressed from the bulk freighters and multipurpose ships of the past into complex structures with a high level of technology, such as multipurpose container ships, complete container ships, cylinder ships, oil tankers adapted for finished products, car ferries, shuttle oil tankers, and other special kinds of ships.

FOREIGN TRADE AND INVESTMENT

NEW, FLOURISHING ENTERPRISE WITH 'BRIGHT PROSPECTS'

Beijing GUOJI SHANGBAO in Chinese 12 May 86 p 1

[Editorial: China's Foreign Contract Projects and Labor Cooperation]

[Text] China has been late in beginning to undertake foreign contract and labor cooperative projects, but with policies on the right track, in just a few years China has established a firm foothold in the intensively competitive international labor market and moreover opened up new prospects.

Since the late 1960's, world labor export has developed quickly. Currently the world's major labor markets have labor-export foreign exchange earnings of approximately \$500 billion, equivalent to one-fourth of world trade in commodities. Various countries in the world are therefore, paying increasing attention to labor export and engineering contracts. The export of labor has already become a major form of international trade. Establishing good foreign labor cooperation has major impact on the increase of foreign exchange earnings, the learning of foreign advanced technology and administration experience, the promotion of national economic growth and the increase of economic cooperation and friendship with other countries.

China's foreign labor cooperation is still a new and developing enterprise. In general, experience has been limited and the distribution of the foreign labor industry has not been broad enough. Tertiary labor industry and consulting have developed rather slowly. The ability level of workers in foreign languages has been universally rather low and the needs of foreign labor cooperation still cannot be fulfilled quickly. In the face of numerous strong competitors in the international labor market, China must expand the range of its labor cooperation and there is still much work ahead in order to resolve a series of actual problems.

First, there must be a comprehensive program. This requires systematic research and investigation, discovering trends in the foreign labor market and the domestic labor reserve situation. Not until the basic preliminary work is done, can we actively take the initiative to strengthen and expand the old market and work hard to open up the new market.

Second, the system of management and administration must be reformed and economic benefits must be improved. China has already established 65

specialized and joint managed foreign labor cooperation companies. In recent years, these companies have played a positive role in the expansion of foreign labor cooperation. In the future, management administration and the distribution system must be improved so that there are few links and many channels. The autonomy of contract companies should be expanded, and support should be given in credit, taxation, goods and materials, and other areas in order to strengthen their competitive ability. Lateral economic relations among contract companies should be improved in order to fully exploit various areas of labor and technical superiority. Foreign trade corporations must cooperate closely with contract companies to expand foreign exchange earning power.

Third, business must be conducted in accordance with market economic regulations. Foreign labor cooperation is a commercial activity. Therefore, attention must be paid to being realistic, market conditions must be followed, opportunities seized and more contracts signed. Labor quality should be ensured in order to obtain success and build up a reputation. Management methods must be flexible and diverse, suited to local conditions and practical results must be strived for. On the foundation of constant improvement in the technical quality and foreign-language ability of laborers, the increase in the number of laborers can be either an organized assignment or a piecemeal assignment. We must gradually increase certain technical services, expand survey, design, planning, and consulting services. Major efforts must be made to organize and develop the tertiary labor industry with seamen, service personnel, gardeners, and florists.

Foreign contract projects are an important mainstay of earning foreign exchange in international trade. They can spur technology, labor, and material export. Submission of tenders must be well organized. Machinery and complete sets of equipment which spur exports should enjoy mechanical products export treatment. At the same time, labor and technology export should be linked up with the establishment of overseas investment enterprises in order to reap maximum gains.

China has a tremendous potential and advantage in developing foreign labor cooperation. Its economy and classes of technology are relatively complete. China has very good economic and technological cooperative relations with various countries, especially the developing nations. In the past 7 years or so, relevant departments have accumulated a certain degree of experience, a large group of talented people have been fostered and China has gained a certain degree of foreign prestige. Now, the various ranks of leadership, from the Central Committee to the local levels, all attach great importance to foreign labor cooperation enterprise. All these indicate vast prospects for the development of foreign labor cooperation enterprise. China only has to work solidly and the scope of foreign labor cooperation will inevitably become larger with the development of the country's various economic enterprises. This booming enterprise has bright prospects.

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CSO: 4006/1112

FOREIGN TRADE AND INVESTMENT

EXPORT OF TEXTILE, LIGHT INDUSTRIAL PRODUCTS SETS RECORD

Beijing GUOJI SHANGBAO in Chinese 14 Jul 86 p 1

[Article by reporter Li Jian [2621 0256]: "Exports of Textile, Light Industrial, and Handicraft Products Break Record"]

[Text] Since the beginning of the year, the light industrial and textile product export situation has been most favorable. From January to June, the amount of foreign exchange export earnings came to over \$4,775,000,000, exceeding 60 percent of the quota set for the year. The export value of light industrial, textile, and handicraft products showed a considerable increase over the same period last year, reaching the highest level for the same period in history.

At a time when the price of petroleum is falling, the various units within the China Textile Import and Export Company system have directed their efforts toward increasing the export earnings of the nation. During the first half of the year, foreign exchange export earnings reached 62.9 percent of the quota set for the year, or 41 percent over the same period last year. Both the export earnings and the rate of increase set the highest records in history. The exports in the 20 large categories of products, such as cotton yarn, cotton cloth, washable cotton yarn, washable cotton cloth, woolen fabrics, clothing, and cotton knitwear, turned out by the company system all showed increases over the same period last year. The export of washable cotton yarn, cotton and hemp yarn, woolen blankets, and cotton increased by over 100 percent compared to the same period last year, while the exports of washable cotton yarn, cotton and hemp yarn, and nylon knitwear have already reached the quota for the entire year. The foreign exchange export earnings of all the 44 branch companies of the China Textile Import and Export Company also showed a considerable increase over the same period last year. All the companies and export commodities have been able to maintain their upward trend, a phenomenon seldom seen in history.

The China Light Industrial Products Import and Export Company attended to the various aspects of its work at an early date. Preparations for the work to be done this year were completed in December last year, so that a good start was made in export operations as early as the beginning of the year. From January to June, the value of exports came to \$874 million, showing an increase of 68 percent compared to the same period last year. Exports of footwear, safety gloves, clocks and watches, bicycles, toys, and electrical appliances

for home use showed a considerable increase. The export amount of the Guangdong branch of the company exceeded that of the Shanghai branch to lead all the branches of the company. During the first half of the year, the foreign exchange earnings of the Guangdong branch came to \$172 million, showing an increase of 200 percent compared to the same period last year and exceeding the export quota set for the entire year.

The export of handicraft products ended a 4-year downturn and period of fluctuation since 1982. In the first half of the year, it exceeded the highest record achieved in the same period in 1981. Not only was there a considerable increase in such traditional export categories as drawnwork, ceramics, furniture, leather products, and umbrellas, but the exports of such key commodities as bead-embroidered articles, handicraft handbags, handicraft toys, and jewelry also showed a two-fold increase.

Taking advantage of its favorable position to develop its industrial and commercial potential by increasing the supply of goods in demand, the China Silk Company was able to achieve a 24 percent increase in the export of silk fabrics and a 26 percent increase in the export of genuine silk fabrics in the first half of the year compared to the same period last year. The company also directed its efforts toward improving the structure of its export commodities and increasing the export amount of finished products so that there was a considerable increase in the exports of silk dresses and reproductions. However, due to certain changes in the market situation, the export of commodities of the silk family has been less than ideal and there was a drop in the export of filature silk compared to the same period last year.

9621/12859

CSO: 4006/1256

FOREIGN TRADE AND INVESTMENT

INCREASE IN EXPORTS OF DOMESTIC, LIVESTOCK PRODUCTS

Beijing GUOJI SHANGBAO in Chinese 14 Jul 86 p 1

[Article by correspondent Li Weimin [2621 4850 3046]: "The Export of Domestic and Livestock Products Registers Increase in the First Half of 1986"]

[Text] It has recently been learned from the China Domestic and Livestock Products Import and Export Company that it had fulfilled in the first half of the year 55.3 percent of the quota set for the year, showing a net increase of 21.3 percent compared to the same period last year.

Among the major export commodities which had reached over 50 percent of the quota for the year were green tea, bluish dogbane and jute, gunnysacks, fire-crackers, fireworks, bamboo products, animal feed, walnuts, white melon seeds, black mushrooms, dried chili, honey, bone glue, cinnamon, peppermint essence and oil, citric acid, tung wood, bristles, paint brushes, pig casings, feathers, fattening feed for animals, goat hides, and mink pelts. A considerable increase in the exports of gunnysacks, animal feeds, melon seeds, honey, peppermint essence, feathers, down, and dresses was registered compared to the same period last year.

At the end of last year, a meeting of all the company managers was called by the China Domestic and Livestock Products Import and Export Company to study and adopt 10 measures for fulfilling the quota for the present year. Arrangements were made at the meeting to ensure the supply of goods in demand, to strengthen management in a coordinated manner, to unify measures for external operations, and to improve the movement of commodities and the transmission of market information.

The reform of the foreign trade system by the company has brought a new look and gratifying results in promoting lateral economic coordination.

It is also learned from special correspondent Shao Yunchang [6730 6663 2490] that up to the end of June, the China Metal Products Import and Export Company had fulfilled 65 percent of the export quota for the year, showing an increase of 122 percent, thus exceeding half of the quota in half the time compared to the same period last year.

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CSO: 4006/1256

FOREIGN TRADE AND INVESTMENT

FOREIGN INVESTMENT-RUN ENTERPRISES IN BEIJING GROW

SK291003 Beijing BEIJING RIBAO in Chinese 18 Aug 86 p 1

[Text] Enterprises run with foreign investment have grown from nothing and have expanded continuously in Beijing. By the end of June this year, the municipality gave approval for establishing 151 enterprises run with foreign investment. The agreements in this regard valued at \$1.67 billion in total, and \$770 million of foreign capital was drawn, ranking second among various provinces, municipalities, and autonomous regions.

Foreign investors of these enterprises have come from more than 20 countries and regions. Thus far, 47 of such enterprises, about one-third of the total, have been built, commissioned, and operated. The economic efficiency of these enterprises has been relatively good in general. These enterprises have helped promote the economic and social development of the municipality.

However, as compared with the demands of the central authorities and with the position as the country's capital, there is still a long way to go in terms of utilizing foreign capital.

From 12 to 14 August, the municipality held a meeting on utilizing foreign capital to further discuss how to create a new situation in drawing and utilizing foreign capital. Mayor Chen Xitong and Vice Mayor Han Boping attended and addressed the meeting. In their speeches, they pointed out: To create a new situation in absorbing and utilizing foreign capital, the key lies in further emancipating our thinking and persisting in reform. We should constantly overcome the outmoded concept of closing our door to foreigners, and accelerate the pace of utilizing foreign capital. Reform should be aimed at delegating more powers to various district and county governments in order to make each government organ assume responsibility for its own work, reduce the administrative layers, and raise work efficiency.

They also pointed out: In running enterprises with foreign investment, we should effect two changes. One is a change in policy. In line with the pertinent stipulations of the state, we should further improve production and management conditions for running such enterprises so that the products turned out by foreign traders in Beijing will have a relatively low cost and strong competitiveness. The other is a change in investment orientation of foreign capital.

In the course of continually developing tourist products, we should encourage foreign investors to change from mainly investing in such real estate trade as restaurants, apartments, and office buildings to mainly investing in running production and export-oriented enterprises.

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CSO: 4006/34

FOREIGN TRADE AND INVESTMENT

GUANGDONG SUFFERS \$280 MILLION FOREIGN EXCHANGE DEFICIT

Hong Kong MING PAO in Chinese 18 Jul 86 p 38

[Article by reporter Zuo Shaozhen [1563 1421 3791]: "Foreign Trade Enterprises in Guangdong Suffer \$280 Million Foreign Exchange Deficit in 1985"]

[Text] An investigation recently conducted by the Ministry of Foreign Economic Relations and Trade on the foreign trade enterprises in 19 major provinces and cities has revealed that, except for Qinghai, the 18 provinces and cities suffered foreign exchange deficits totaling \$579.87 million, with the foreign trade enterprises in Guangdong accounting for \$281 million, or 48.6 percent of the total.

The report of the meeting pointed out that the foreign trade enterprises in the five provinces and cities of Beijing, Guangzhou, Xiamen, Tianjin, and Guangdong alone have suffered a foreign exchange deficit amounting to 48.6 percent of the total and that only Qinghai Province registered a surplus of \$30,000 in 1985. The report further pointed out that a foreign exchange deficit amounting to \$703.4 million was incurred by the above-mentioned provinces and cities for the import and export of equipment and products, while a surplus of \$197.7 million was registered by the nontrade enterprises (mostly tourism). As regards the incoming and outgoing foreign exchange situation of the concerned foreign trade enterprises in 1985, the total amount of income came to \$2,329,250,000, while total expenditures came to \$1,971,540,000, thus registering a foreign exchange surplus of \$357.1 million.

Foreign exchange incomes are mostly derived from foreign currency loans and investments amounting to 27.6 percent and 27 percent, totaling \$644 million and \$629.5 million, respectively. Foreign exchange incomes derived from the export trade came to \$472.7 million, or 20.2 percent of the total.

Foreign exchange expenditures incurred last year by the foreign trade enterprises for imported commodities came to \$1,284,340,000, or 65.1 percent of the total. Other expenditures incurred by the nontrade enterprises came to \$278 million, or 14.1 percent of the total. The repayment of loans came to \$261.97 million, or 13.3 percent of the total. Salary payments for foreign employees came to \$76.34 million. The recovery of funds extended by foreign capital projects came to \$49.11 million, while interest payments came to \$21.72 million.

By comparing the foreign exchange expenditures for imports and foreign exchange incomes from exports last year, it is easy to see that the rate is extremely uneven between the two and that too much reliance is put on the import of raw materials and spare parts by the enterprises financed by foreign capital in their production operations, while the ratio of the export of finished products is rather small. The report also pointed out that the unbalanced foreign exchange situation could be remedied if China had the capability of producing its own spare parts and raw materials.

9621/12859

CSO: 4006/1256

FOREIGN TRADE AND INVESTMENT

HEBEI ECONOMIC COOPERATION, COMMODITY TRADE MEETING ENDS

SK241242 Shijiazhuang Hebei Provincial Service in Mandarin 2300 GMT 12 Sep 86

[Excerpts] The 10-day provincial meeting for international economic and technological cooperation and export commodity trade talks came to a successful conclusion on 10 September. All scheduled plans were fulfilled.

At this trade talk meeting, 74 contracts on technological imports with a transaction totaling \$53.7 million were concluded. The transaction volume of export commodities totaled \$25.48 million. In addition, a number of agreements and memorandums of intent were signed. Many traders came to the meeting enthusiastically. A total of 950 foreign traders from 22 countries and regions attended the trade talk meeting.

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CSO: 4006/34

FOREIGN TRADE AND INVESTMENT

HEILONGJIANG PROVINCE BOOSTS BORDER TRADE

HK310930 Hong Kong ZHONGGUO XINWEN SHE in Chinese 0858 LMI 29 Aug 86

[Text] Harbin, 29 Aug (ZHONGGUO XINWEN SHE)--Bounded by the Soviet Union and Mongolia, Heilongjiang's border trade has become brisk again. In the first half of this year, Heilongjiang, one of China's northeast provinces, has already signed import and export contracts worth 34.67 million Swiss francs.

An official in charge of the province's foreign trade told the delegates attending a lateral economic conference here: Since Heilongjiang started developing its border trade in 1983, the volume of its import and export has increased by 44 percent annually.

Tong Dalin, noted economist, pointed out the other day: With the changes taking place in the world's political and economic situation, Heilongjiang will possibly become a vigorous economic center in the northeast region. Heilongjiang, China's border province in the north, which confronts the Soviet Union and eastern Europe and is adjacent to Japan and Korea, lies in the center of the northeast region. It has abundant resources and economic potentials.

The provincial officer said that Heilongjiang is willing to develop border trade and make preparations for opening the door wider to the outside world in cooperation with other provinces, municipalities, and autonomous regions on a business, agent, or joint operation basis.

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CSO: 4006/34

FOREIGN TRADE AND INVESTMENT

SHANGHAI ACCUMULATES FOREIGN CAPITAL

Beijing RENMIN RIBAO OVERSEAS EDITION in Chinese 2 Jul 85 p 1

[Article by Xu Qiuliang (徐其良): "Strengthen Coordination Efforts; Develop Consulting Services; Improve Efficiency: Shanghai Accumulates \$1.7 Million in Foreign Capital"]

[Text] Ever since the central government's decision to open up further the coastal cities Shanghai Municipality has significantly increased its pace in utilizing foreign investments. Up to the end of June, 1985 projects involving foreign investments have been approved, accumulating \$1.7 million in foreign capital, 180 of these projects, valued at \$1.7 billion, are direct investment by foreign business.

In recent years Shanghai Municipality has summarized the following method in utilizing foreign investments:

-- Set up a system of joint working conferences on foreign capital utilization. The joint working conferences are presided over by the deputy mayor and attended by the leading comrades of the various committees and offices of the municipal government. This system has positive effects on strengthening overall guidance, integrating policy, planning and assessment as well as enhancing harmony and coordination among the various systems.

-- Proceed to draw up a citywide plan to utilize foreign investments. After a series of deliberations and discussions among the various departments and units, Shanghai Municipality has examined and approved close to 500 foreign investment projects; in addition, close to 200 other projects have also been examined and approved as a result of other discussions and activities. Consequently "Shanghai Municipality's Foreign Investment Utilization Plan" was formulated to reinforce planning and management. This plan was revised at the end of last year to accommodate the trend of foreign investments in Shanghai during the Seventh 5-Year Plan.

-- Promulgate regulations and protocols pertaining to the utilization of foreign investments. Since 1984, based on the limited power of examination and approval of Shanghai Municipality authorized by the central government, Shanghai has promulgated a series of six provisions and procedures pertaining to the discussion, examination, and approval of Chinese-foreign joint ventures.

product procurement and marketing, price-fixing arrangements, labor arrangements, production inspections, and the simplification of the units in charge of construction of projects designed abroad. These provisions established new standards for foreign investment administration. For example, the "Provisions Pertaining to the Discussion, Examination, and Approval of Sino-Foreign Joint Ventures and Foreign-Wal Enterprises" (trial implementation) has been implemented and tested for over a year and the results are good. With the approval of the Municipal People's Congress it was become the first set of regional rules regulating economic matters.

-- To make better foreign investment consultation and agency services, and strengthen economic and legal guidance and certification. In order to accommodate the needs of the new foreign investment situation, Shanghai has established consulting services and agency units and consulting offices and foreign economic and law offices to serve as consultation units for foreign investment projects. Experience proved that these units are successful agencies and assistants in foreign investment administration.

-- To make the structure of the organs and serve the enterprises actively. Shanghai Municipality requires that all reports and documents pertaining to foreign investments must be reviewed and answered within a month, otherwise they will take effect automatically. Since the implementation of this order, work efficiency has improved greatly and enterprises have been greatly improved. Sino-Foreign Joint Ventures and Cooperative Enterprises in Production and Commerce, and with the widespread development of foreign investment administration throughout the municipality, many municipal departments have stepped up efforts to investigate and study the management problems of joint ventures and cooperative ventures. They also pay attention to the spot, on-site regulation, and even assist the enterprises with problems, such as business of foreign exchange, goods and material supply, and marketing, labor management, and land allocation.

At present, foreign investment administration is becoming better and better. In order to expedite the realization of the Strategic Decision of the Central Government, Shanghai Municipality has decided that during the Seventh Five-Year Plan, Shanghai will manage the flow of foreign investment in industry, and focus on key projects of major urban installations, major and medium installations, and other priority projects in tertiary industry, and projects which expand production of exports and import substitution, as well as other technological transformation projects.

Shanghai, 1987
YTO: 1987/10/10

FOREIGN TRADE AND INVESTMENT

SHANGHAI ACTS ON FOREIGN EXCHANGE BALANCE PROBLEMS

Beijing RENMIN RIBAO OVERSEAS EDITION in Chinese 14 Jul 86 p 1

[Article by Li Zhiyong [2621 1807 0516]: "Shanghai Utilizes Diverse Flexible Measures To Resolve Foreign Exchange Imbalance of Joint Ventures; Most of the 50 Enterprises Already in Production Are Capable of Balancing Their Own Foreign Exchange Revenues and Expenditures"]

[Text] In the first half of this year, the U.S.-China joint venture, Foxboro Co, Ltd and the Shanghai-Hong Kong joint venture, Yinghua Vacation Village reached an agreement to set aside the sum of \$1 million in surplus foreign exchange to enable development in production of both enterprises.

According to our information, the Shanghai Foxboro Co shall provide the Yinghua Vacation Village with a sum of RMB without interest. Yinghua Vacation Village will sell \$100,000 to the Bank of China within 10 months. The State Foreign Exchange Control Department will then give its approval for the provision of the foreign exchange to the Shanghai Foxboro Co, completely based on the state's list price.

As a result of this rearrangement, both firms will be properly provided for. The Foxboro Co, which produces an (industrial automatic control instrument production) system in urgent need domestically, has made a profit in the 3 years since going into production, but has a foreign exchange deficit. The Yinghua Vacation Village has more foreign exchange, but needs RMB.

Qian Shihqing [6929 001 0615], an official of the Shanghai Foreign Exchange Control Bureau in charge of this exchange claims that this will be a new form of assistance to Chinese-foreign joint ventures in resolving their foreign exchange balance problems.

Other measures include:

The central and local governments shall allocate foreign exchange subsidies from the plan to joint ventures. Since its beginning in 1983, the Shanghai Foxboro Co obtained \$3.6 million in foreign exchange subsidies, effectively correcting its foreign exchange deficit. The Shanghai Dazhong Automobile Co (a joint venture between China and the FRG), may obtain within the next 5 years, more than \$200 million in foreign exchange subsidies.

Foreign exchange will be used to quote prices, settle accounts, for that joint venture products that have been approved for sale on the domestic market.

Approval for this sort of exchange has been granted for the Shanghai Dazhong Automobile Co's Sangtana, the Shanghai Foxboro Co's decentralized automatic numerical control instrument system, and Shanghai has also provided preferential treatment normally accorded export products and waived raw materials import taxes.

In addition, the U.S. 3M Co's Shanghai firm--the 3M China Co--has organized the export of approved commodities purchased within China in order to balance its foreign exchange payments. In 1985, it purchased more than \$1 million in commodities for export.

The comprehensive utilization of these flexible measures has been effective in balancing foreign exchange revenue and expenditure of Chinese-foreign joint ventures.

Due to the fact that certain export commodities were still in the process of pharmaceutical inspection, the China-U.S. Shanghai Shiguelbao Manufacturing Co experienced a temporary shortage of foreign exchange. This year the Shanghai Foreign Exchange Control Bureau approved the provision of \$900,000 in foreign exchange obtained via such redistribution. General Manager John Mo said: "This shows that the government is truly making an effort to resolve the problems of joint ventures." However, he also criticized the deliberate wrangling among some Chinese administrative agencies which cause difficulties for the joint ventures.

By the end of this June, the 181 Chinese-foreign joint capital, cooperative, and foreign capital enterprises approved and created by Shanghai Municipality absorbed \$1.31 billion in direct foreign investment. According to a survey, the majority of the 50 joint industrial production enterprises could already balance their own foreign exchange revenues and expenditures. By the end of 1985, these enterprises had earned \$50 million in foreign exchange through exporting. Experts predict that only five of Shanghai's joint ventures may lack foreign exchange for a period of time.

Lu Guoxian [7120 0948 6343], deputy director of Shanghai's foreign trade commission, has pointed out that in addition to focusing on measures to assist these joint ventures in dealing with their difficulties, all parties involved now realize that accelerating the process of product nationalization is the most fundamental way to resolve foreign exchange imbalances.

12221/12379
CSO: 4006/1218

FOREIGN TRADE AND INVESTMENT

XIZANG INCREASES FOREIGN TRADE VOLUME

HK220705 Lhasa Xizang Regional Service in Mandarin 1130 GMT 21 Sep 86

[Excerpt] According to XIZANG RIBAO, between January and August this year, the region's gross foreign trade volume amounted to more than 24 million yuan, an increase of 87 percent over the same period last year. The amount of foreign exchange earned through export was 10 times greater than the same period last year. This is the region's best year in terms of foreign trade, following the switch of its economy onto the track marked by market readjustment.

The basic cause of this good situation is that the export departments were able to take corresponding measures in connection with the characteristics of market readjustment. Through the commodities trade fairs held in Xigase and Hong Kong, the region introduced to the public its products and expanded trade.

By the end of August, the gross figure of the region's import and export trade agreements signed totaled more than 37 million yuan, an increase of 26 percent compared to the same period last year.

In order to mobilize the localities' initiative to produce and export commodities, the export trade departments introduced this year to export commodity enterprises and supplier procedures for awarding outstanding foreign exchange-earning exporters, procedures for granting funds for developing export, and procedures for purchasing small commodities and pharmaceuticals.

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CSO: 4006/34

FOREIGN TRADE AND INVESTMENT

SHANGHAI FOCUSES ON DEVELOPING FOUR KEY EXPORT PRODUCTS

Shanghai WEN HUI BAO in Chinese 24 Jul 86 p 2

[Article by reporter Xia Zhenfei [1115 7201 7264]: "Shanghai Puts Focus on Developing Four Key Export Products"]

[Text] During the Seventh 5-year Plan, the Shanghai Economic Zone will direct its concerted efforts toward the development of four key products, namely bicycles, canned goods, ceramics, and dresses. This information was revealed at a meeting of the directors of the light industry departments (bureaus) of Jiangsu, Zhejiang, Anhui, Jiangxi, and Shanghai recently held in Wuhu.

Bicycles, canned goods, ceramics, and dresses are major export products in the light industry system of our nation. Each of the products earns over \$100 million annually in foreign exchange. The amount of each of the four categories of commodities exported from the Shanghai Economic Zone comes to around 30 percent of the total exported by the nation with the amount of bicycles reaching 70 percent. With a view to maintaining and developing the favorable situation, each of the four businesses has, after a 6-month period of investigation and study, drawn up a plan for increasing the amount of exports and adopted measures to deal with certain problems: first, the establishment of a steady base for the export of raw materials; second, the strengthening of the technical reform of factories engaged in producing export commodities and the establishment of a number of key enterprises with advanced equipment and high management standards; and third, the establishment of multidirectional lateral relations, especially among the commercial, industrial, and agricultural sectors.

9621/12859

CSO: 4006/1256

FOREIGN TRADE AND INVESTMENT

BRIEFS

SHANDONG COTTON EXPORTS--As of early August, Shandong Province had exported 128,700 tons of cotton, up 57 percent over the annual cotton exports of last year, prefulfilling the 1986 export plan and earning more than \$120 million in foreign exchange. The province ranks first in China this year both in the cotton export volume and in foreign exchange earned from this sector. [Text] [Jinan Shandong Provincial Service in Mandarin 2200 GMT 26 Aug 86 SK] 77358

YUGOSLAV TRADE PROSPECTS--Zagreb, Yugoslavia--Chairman Yuepifu Bapu, in a recent interview with this paper's reporter, indicated that Yugoslavia, in accordance with the requirements of China's Tenth 5-Year Plan, is willing to develop with China production cooperation projects in the areas of the agricultural foodstuffs industry, water conservancy projects, hydroelectric power stations, the electronics industry, and the garment industry. Chairman Bapu came to Shanghai to participate in the opening ceremony of the Zagreb, Yugoslavia industry and foreign trade exhibition held 25 April - 5 May. Bapu said production cooperation projects between the two countries still in the initial stages include projects for the production of machine tools, cooperation to build a thermal electric plant and a thermal power plant, and the supply of telephone equipment by Yugoslavia to China. When discussing the trade situation between the two countries, Bapu said the two countries' volume of trade in 1985 was \$1 million. In the future to develop more barter trade with China, Yugoslavia is interested in China's raw materials and semifinished products, such as cotton, cotton yarn, leather shoes, steel plates, and machine tools. [Text] from Shanghai wire by special correspondent Shi Hanzhong [1202 6932 2404] [Text] [Beijing Qianqun Daily] in Chinese 26 May 86 p 2] 13284/12947

CSO: 4006/1112

SPECIAL ECONOMIC ZONES

OUTPUT VALUE OF PRC-FOREIGN VENTURES IN SHENZHEN UP

HK281521 Hong Kong ZHONGGUO XINWEN SHE in Chinese 0157 GMT 20 Aug 86

[Text] Quangzhou, 20 Aug (ZHONGGUO XINWEN SHE)--The total industrial output value of the Sino-foreign joint venture, cooperative, and foreign-owned industrial enterprises in the Shenzhen Special Economic Zone (SEZ) in the first 7 months of this year amounted to 1.149 billion yuan, up 19 percent over the same period of last year. The industrial output value of these enterprises constituted 66 percent of the city's total industrial output value.

The main reason for the increased industrial output value of the Sino-foreign joint venture, cooperative, and foreign-owned industrial enterprises in the Shenzhen SEZ is that they have strengthened enterprises management and ensured that production proceeds normally, thus increasing the proportion of their products sold in overseas markets. Take the Guangming Huaqiao Electronics Industry Ltd, a joint-venture enterprise, as an example--its output of radio-cassette recorders and television sets in the first half of this year increased by 39.6 percent and 44.1 percent respectively over the corresponding period of last year and the ratio of the products sold in overseas markets rose by 99.1 percent and 93.2 percent respectively. The income from the sale of their products totaled HK\$146 million or an increase of 42 percent over the same period of last year.

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CSO: 4006/34

SPECIAL ECONOMIC ZONES

BRIEFS

BANK MODIFIES LOAN PORTFOLIO--The city's Jianshe Bank is modifying its loan portfolio this year and is focusing investments on supporting transportation, energy, and export-oriented industrial projects. To date it has extended loans to 20 projects worth over 48 million yuan. In order to put the limited investment funds to the best use, the city's Jianshe Bank learned from past investment experiences and decided to shift the emphasis to supporting transportation, energy and export-oriented industrial projects. Before a loan is granted the bank makes thorough investigations of the enterprises and its departments, its economic results are projected and assessed properly. In extending loans to the export-oriented industries the city's Jianshe Bank gives preference to those projects which show a quick return and high profit on low investments. This year the bank is supporting 13 export-oriented industrial projects, 9 of which will be completed and will begin operation within this year. [Excerpt] [Shenzhen SHENZHEN TEQU BAO in Chinese 19 Jul 86 p 2] 12986/12947

SHENZHEN RESUMES CAPITAL CONSTRUCTION--Shenzhen SEZ resumed its investment in capital construction and increased them by 20 percent relatively, raising the total capital construction investment to 2 billion yuan for this year. According to reports, Shenzhen's renewed increase in investment this year after earlier reductions has the special approval of the central authorities and the utilization of this new capital is restricted. According to reports, in charge, although investment funds are available, investments must abide by the spirit of the SEZ conference. The new investments will concentrate in four major areas: export-oriented industries earning foreign currencies; industries and enterprises with good economic results which create income for the SEZ; essential projects which complement urban construction; and projects which were in the original plan but were suspended for investment control. However some of the projects halted or delayed in the last 1 month will be resumed immediately. In order to modify the investment portfolio, the city government of Shenzhen had earlier reduced its investments in capital constructions to 1.65 billion yuan for the year. It halted or postponed 75 projects in succession, reducing total construction area by 970,000 square meters and reducing investment by 750 million yuan. [Text] [Shenzhen SHENZHEN TEQU BAO in Chinese 19 Jul 86 p 1] 12986/12947

CSO: 4006/1248

POPULATION

AGING OF POPULATION POSES CHALLENGE

Beijing LIAOWANG [OUTLOOK] OVERSEAS EDITION in Chinese No 30, 28 Jul 86 pp 9, 10

[Article by Yang Taoyuan [2799 2711 3292]: "China Confronts Challenge of Aging Population"]

[Text] Some years ago the life expectancy of the Chinese population climbed from less than 40 years before 1949 to over 60 years. This is one of the indices of social progress. Recently China has been facing the very difficult problem of the aging of the population.

In 1986, the Chinese Government announced that China has more than 87 million people over the age of 60. This figure equals the combined population of France and Spain.

The Effect of the Aging of the Population

The population of China has historically been the focus of world attention. The 1982 Chinese census reached 1.3 billion while arable land totals just 245 million acres, or less than one-quarter acre per capita. China has the very difficult task of feeding nearly one-fourth of the world population with just 7 percent of the world's arable land. This subtle change in the structure of the Chinese population makes the task even more difficult.

In 1985, the Chinese population structure was 29.9 percent children 0 to 14 years old; elderly people over age 60, 8.2 percent; and people of working age, only 61.9 percent. The last group includes more than 100 million high school students and college students, thus, the working population of China is only about 500 million. China is hard pressed with a work force of just 500 million to support a population of 1.05 billion. China's aged population will continue to grow; moreover the implementation of family planning is reducing the size of the youthful population still further. The problem of the aging of the population becomes more serious with each passing day. This kind of change in the structure of the population has given China, a developing country, a series of challenges:

--Many scholars believe that the aging of the population hinders the development of production in two ways. First, workers who have left or retired from their jobs and are receiving pensions must be considered in cost accounting; as the number of retirees increases annually costs will increase and the profits of the enterprise will decline. This has also become a concern in some developed

countries. Second, the increase in the proportion of elderly people in the population swells consumer spending while shrinking the accumulation of capital. Reproduction on an expanded scale will be severely restricted.

--Contradictions in the distribution of goods are becoming sharper. In 1985, the Chinese Government gave 16.37 million workers who had left or retired from their jobs 14.66 billion yuan or an average of 935 yuan for every person who had retired or left his or her job. Since China is a country with low wages, the pensions of people who have left their job or retired are no lower than the wages of staff and laborers who are working. This irrationality in distribution will become more acute as the number of retirees increases.

--It is making the social security system more complex. The Chinese social security system needs improvement and the social security system for the elderly is one of its weak links. Currently, the elderly who have left their jobs or retired in Chinese cities receive a pension but the urban unemployed elderly and the rural elderly receive no pension. Moreover, the great majority of China's elderly live in the countryside. Even if we set aside the question of the rationality of this difference between the city and the countryside, the complexity of the aging of China's population creates many problems in establishing a social security system for China's elderly. The overall trend in the aging of the Chinese population is the cities before the countryside, the coastal areas before the interior, and the interior before the remote western frontier regions. The complexity of the aging of the population and regional differences have made establishing a social security system for the elderly a very difficult problem for the Chinese Government.

--It is creating challenges in the areas of China's cultural construction, including cultural facilities, moral relationships in families, services for the elderly, etc. The development of cultural facilities in China has been relatively slow; the development of these facilities for the elderly has been even slower. The present "only one child for each couple" policy of the Chinese Government would, in keeping with Chinese traditional moral values, create an astonishing Chinese family of the future in which one couple is responsible for two sets of parents. This creates many problems in providing services for the elderly. China's elderly now face a severe shortage of consumer goods, such as clothing, shoes, hats, etc. China's units specializing in the psychology of the elderly, and the techniques of China's medical and health care units are very backward. Many people are concerned about the solution of this current problem.

A Painful Side-Effect of the Population Control Policy

The aging of China's population is the product of the historical development of Chinese society, the progress of the natural sciences, and of China's population policy.

Since the founding of new China, China has gradually established a national medical and health care system. Medical advances increased the natural life-span of the population at large. China's population changed from high fertility, high mortality, and low growth before 1949 to low fertility, low mortality, and rapid growth.

During the 1950's and 1960's China had a national campaign to criticize the demographer Ma Yinchu [7456 1377 0443] and dropped the birth control plan, which caused "the population to increase by 300 million by mistake because a man was wrongly criticized." The 300 million increase by mistake of the 1950's and 1960's will create a very large elderly population base in China in the decade of the 2020's.

Since the 1970's, when China implemented family planning, the birth rate began to fall rapidly, the proportion of children in the population declined, and the proportion of elderly people in the population grew rapidly. According to the predictions of experts, China will become a country with an elderly population in the 1990's. (An elderly population has more than 10 percent elderly in the total population). In the 2030's the proportion of elderly people over 60 in China's population will exceed 30 percent.

The aging of the Chinese population is a painful side effect of the implementation of the population control policy. According to the projections of demographers the Chinese population will stop growing in about 2034. At that point the population born in the period of anarchic fertility before 1960 will be gone. The Chinese population will become a population with planned fertility and the aging of the population caused by family planning will disappear. However, between now and 2034 the aging of the population is inevitable.

Exploring Methods of Solving the Problem of the Aging of the Population

Controlling the growth of China's population is a fundamental, irrevocable national policy. Therefore solving a series of problems brought on by the advancing age of the Chinese population has become an urgent matter for the Chinese Government.

It is hard to find homeless elderly persons wandering the streets of Beijing. Most of China's elderly pass their late years peacefully and happily with their family. Traditional Chinese moral virtues forged the respect of the people for the elderly. "The elderly are divided into my elderly and the elderly of other people; children are divided into my children and the children of other people." Women and children understand this truth. The Confucian ideology which has ruled for thousands of years made every Chinese understand that they should support their parents. The Chinese constitution also clearly stipulates that everyone has the duty to support the elderly. Therefore at present and for a very long time to come, the characteristic Chinese tradition of caring for the elderly in the home will remain the principal Chinese way of caring for the elderly. This traditional way of caring for the elderly lightens the burden created by the aging of the population. Propaganda work on communist moral education over several decades is also very effective in solving the problems of China's elderly. Currently in some Chinese cities and townships solitary old people are provided food and housing by "Emulate Lei Feng Committees" of primary and secondary school students and by residents who have spontaneously organized "Committees to Provide Warmth" so that these elderly people get the amenities of life.

The Chinese Government is exploring more effective ways of solving the problem of the aging of the population.

In 1984, China established the Chinese National Committee on Aging. Parallel organizations sprang up in 27 provinces, directly administered cities and in most of the cities, regions, and counties of those areas. Nie Rongzhen [5119 2837 5271], honorary chairman of the China National Committee on Aging, pointed out: "We should recognize the strategic importance of the aging problem, make overall planning and carry out comprehensive measures."

Chinese experts interested in the population problem are hard at work, arguing back and forth incessantly, trying to decide upon the best proposal.

Some believe that although the aging of the Chinese population is an irreversible trend history has allowed us the period from now until the end of the century to prepare. People born during the years of peak fertility during the 1950's and 1960's have entered the laboring-age population. This large population base will slow down the aging of the population for the next 20 years. The relative increase in the size of the laboring population is a "Golden Age" for the development of production. If we take advantage of this opportunity and vigorously develop production, greatly enrich social products, establish many types of social welfare institutions, we will win time for solving the problem of the aging of the Chinese population and establish a solid foundation for meeting the challenge of the very rapid aging of the Chinese population during the 21st Century.

Some also believe that the elderly are not merely a burden on society. If China gives the elderly an outlet for their enthusiasm the elderly, too, will contribute to society and become the wealth of society.

Although China's elderly population totals 87 million, the proportion of elderly who are just sitting around waiting for society to care for them are few. The hardworking nature of the Chinese people makes China's elderly participate enthusiastically in the development of society and by various means continue to make contributions to society.

According to the predictions of Chinese population specialists the Chinese population will become an "aged population" in about 1995. Currently China has opened up the channels of communication and asked for the opinions of both Chinese and foreign specialists in its quest to establish a distinctively Chinese social security system for the aged. Getting ready for a rainy day in this way reflects the determination of the Chinese Government to eliminate the painful side effects of the population control policy and to ensure the progress of society.

12369/12851
CS0: 4006/1261

POPULATION

SHAANXI POPULATION LINK TO SOCIAL, ECONOMIC DEVELOPMENT

Beijing RENKOU YU JINGJI [POPULATION AND ECONOMICS] in Chinese No 3, 25 Jan 86
pp 33-38

[Article by Jiang Zhenghua [5592 2973 5478], Li Huijing [2621 1979 0079], and
Wu Guolan [0702 0948 5695]: "Outlook of the Relationship Between the Popula-
tion of Shaanxi Province and Social and Economic Development"]

[Excerpts] I. History of Population Growth

Shaanxi is one of the earliest regions to be settled by the Chinese race. It was in this province that the Zhou, Qin, Han, Sui, and Tang Dynasties established their capital. The area of the province comes to some 200,000 square km, of which 45 percent is made up of plateaus, 36 percent of mountains, and 19 percent of plains. The three natural regions are made up of the loess plateau in the north, the plain in the central area and the Qinba Mountains in the south. Topographically, the southern and northern parts of the province are high in altitude, the central part is low, the southern and northern parts are long and narrow, the northern part is narrow and the southern part is wide). The province has 27 nationalities, such as the Han, the Hui, the Man, the Korean, the Uygur, the Miao, and the Zang, with the Han nationality comprising some 99.6 percent of the total.

With the establishment of the new China, the population of Shaanxi Province, like that of the entire nation, has increased at the rapid annual rate of between 1.5 and 2.5 percent over the past 20-odd years as a result of the betterment of the living standard, the rapid improvement in medical and public health services, the sharp decline in the death rate, and the relatively high rate of birth (see Table 1).

II. Relationship Between Size of Population and Economic Development

The main factors for exercising control over the size of the population of Shaanxi Province by the year 2000 are as follows:

1. Policy for setting targets for the size of the population over the long term and for the year 2000.

Having made an overall analysis of the long-term target for exercising control over the size of the Chinese population from the social, economic, and

Table 1. Size and Growth Rate of Shaanxi Population 1949-1982

Year	Population (unit: 10,000)	Average annual rate of growth (percent)	Year	Population (Unit: 10,000)	Average annual rate of growth (percent)
1949	1,317	--	1967	2,244	2.23
1952	1,528	5.07	1970	2,428	2.66
1955	1,716	3.94	1973	2,610	2.43
1958	1,832	2.20	1976	2,722	1.46
1961	1,969	2.43	1979	2,800	0.94
1964	2,100	2.17	1982	2,890	1.06

natural resources points of view, we have come to the conclusion that it should gradually be limited to between 700 million and 1 billion, that is, roughly 5 percent of the world population and slightly higher than that of the United States. That is a ratio that is commensurate with our natural resources and those of the entire world. Although the ratio of arable land in Shaanxi is slightly higher than that of the entire nation, the province is relatively short of reprocessed resources. For that reason, the size of the population of Shaanxi Province in proportion to that of the entire nation should be kept basically at the existing ratio. From the historical point of view, the stability in the rate of population growth in Shaanxi Province in proportion to that of the entire nation is not a matter of chance. Our forecast of population growth in the entire nation indicates that by the year 2000, the population of the nation is likely to reach some 1.25 billion and that the population of Shaanxi Province will come to between 34.15 and 36 million, that is, roughly 3 percent of that of the entire nation.

2. Limitations imposed on the size of the population by the development of arable land and food resources in Shaanxi Province.

The probable trend in agricultural production, the condition of arable land and the increase in grain production have a direct effect on limiting the size of the population in the near future. At present, the average annual per capita quota of grain produced in the province comes to roughly 600 jin. By the year 2000, it is hoped that the figure will be increased to 800 jin. Assuming that the population will have reached 34.15 million by the year 2000, it will be necessary to increase grain production to 27 billion jin at the average annual rate of increase of around 2.5 percent. From 1949 to 1981, grain production in Shaanxi Province increased 1.3-fold from 6.6 billion to some 15 billion jin. The highest rate of increase came to 8.8 percent (during the First 5-Year Plan). As a result of the expansion of the acreage of arable land, the average annual progressive rate of increase in grain production came to 2.6 percent during the 32-year period. It should be noted that the amount of grain production fluctuates sharply from year to year as climatic conditions for any particular year have a decisive effect on grain production.

However, it should first be noted that basic changes are not likely to occur within the next 10 years or so. Second, the average annual progressive rate of increase will be around 2.5 percent in the future. Although this figure approximates that during the 32-year period, the base figure will become increasingly larger. Third, since the acreage of arable land in Shaanxi Province is continuously being reduced, the only way to increase production is to increase the amount of production per mu. That being the case, a higher estimate should not be made of the total amount of grain production in Shaanxi Province by the end of the century.

Let us make a further analysis of the effect which the acreage of arable land and the amount of production per mu have on the amount of grain production. The acreage of arable land in Shaanxi Province has continued to decline. From 1949 to 1980, for instance, the net reduction of acreage came to 8.5 million mu, or over 270,000 mu per year.

There is a correlation between the sharp decrease in the average per capita acreage of arable land and the sharp increase in the size of the population. During the past 30 years or so, a large part of the arable land in Shaanxi Province has been taken over for capital construction projects, while one-fourth of that has been taken over for housing construction to meet the needs of members of cooperatives and almost half by town and township enterprises to meet the needs of the labor force. The population of Shaanxi Province is concentrated in several basins, a large percentage of which is land of good quality. The reduction of arable land in the central plain comprises over half of that in the entire province. The acreage of land of good quality, land that is accessible and land with water resources is being reduced year by year. In recent years, the acreage of land occupied by town and township enterprises and by housing construction projects for peasants has continued to climb. Furthermore, the rate of reclamation of wasteland in Shaanxi Province is extremely high compared to that for the entire nation. It can be said that there is virtually no more wasteland which can be reclaimed. Even mountainous regions must be retained for forestry and livestock breeding purposes. Furthermore, natural disasters have taken their toll of arable land year after year. The development of industrial communication, cultural, and educational projects is certain to make further inroads into the acreage of arable land which comes to only some 57 million mu at the present time. Assuming that the acreage remains at the present level, that effective measures are being taken to put a limit on the occupation of arable land, and that the size of the population is put under control so as to reduce the possibility of further acquisitions of land for housing construction, it is expected that the absolute annual reduction in the acreage of arable land will be between 160,000 and 170,000 mu, or slightly lower than that for the past 30 years or so. There will, therefore, be only 54 million mu of arable land by the year 2000. In order to produce over 27 billion jin of grain, assuming the multiple index to be between 132 and 140 percent, then it will be necessary to increase the per mu production in the sown areas from 245 jin in 1981 to 386 jin for a net gain of 141 jin. However, since the increase in production per mu came to only 140 jin during the 32-year period, a more rapid rate of development is not likely to occur.

3. Restraint imposed by the rate of increase in per capita national income on the size of the population in the year 2000.

In line with the target for economic and social development by the year 2000, the economy of Shaanxi Province may be expected to take a sharp upturn in the 1990's. With the increase in economic effectiveness, the national income in the year 2000 is expected to quadruple over that of 1980 at the annual progressive rate of increase of 7.27 percent. This rate of increase in the national income of Shaanxi Province is 10 percent higher than that from 1953 to 1981. It is obvious that in discussing the increase in the per capita national income, changes in the size of the population must be given major consideration. On the basis of the third census and sample investigations into the birth rate for each 1,000 persons in the population, three forecasts have been made on future population growth in Shaanxi Province as shown in Table 2.

Table 2. Forecast of Population Growth in Shaanxi Province

Year	Program I (Warning projection)		Program II (Probable projection)		Program III (Ideal projection)	
	Total birthrate	Total population	Total birthrate	Total population	Total birthrate	Total population
1981	2.46	28,533,470	2.46	28,533,170	2.46	28,533,470
1985	2.38	30,181,980	2.20	30,079,390	2.12	30,028,720
1990	2.27	32,437,700	1.86	31,934,420	1.68	31,682,710
1995	2.16	34,769,130	1.80	33,674,400	1.60	33,102,800
2000	2.06	36,586,570	1.80	35,030,210	1.60	34,150,200

The historical ratio between the population and economy of Shaanxi Province and those of the entire nation is shown in Table 3.

Table 3. Ratio Between the Population and Economic Indices of Shaanxi Province and Those of the Entire Nation (percent)

Item	Year						
	1957	1965	1970	1976	1980	1982	1983
Population	2.8	2.96	2.9	2.9	2.9	2.9	2.86
GVIAO	2.1	2.6	2.8	2.3	2.2	2.1	2.1
National income	2.5	2.3	2.2	2.3	2.2	2.2	2.2
Capital construction investment	4.1	3.2	5.8	3.1	3.8	3.0	2.8
Amount of retail sale of commodities in society	2.0	2.4	2.8	2.7	2.4	2.4	2.2

An analysis of the data in Tables 2 and 3 points to the probability that Program II of the population forecast for Shaanxi Province will become a reality. An analysis of historical materials and pluralistic regression indicates that the total birth rate of the province will be between 1.75 and 1.85 by the year 2000 and that it is extremely unlikely that the ideal projection will come to be realized. However, the outcome of the warning projection can be averted if we would only adhere firmly to our birth control program. It may be seen from the ratio between the capital construction investments and the national income of Shaanxi Province and that of the entire nation in Table 3 that the economic effectiveness of Shaanxi Province has been lower than the national average. For this reason, so long as we would direct our efforts toward readjustments and reforms, we have no need to feel alarmed even if the population should slightly exceed the original figure and reach the figure in Program II.

Table 4(a). Difference in Number of Births per Year According to Different Projections

Period	Number of births per year			Difference in number of births	
	Program I	Program II	Program III	I and III	II and III
1983-1988	632,730	590,130	569,060	63,670	21,070
1988-1993	708,660	598,320	542,850	165,810	55,470
1993-1998	716,110	600,480	533,290	182,820	67,190
1998-2000	594,320	514,890	454,570	138,750	60,320

Table 4(b). Reduction in Amount of Consumption for Newly Increased Population According to Different Projections

Period	Average per capita consumption (yuan)	Average reduction of funds per year (yuan)	
		Program III vs Program I	Program III vs Program II
1983-1988	257.71	20,510,495	6,787,437
1988-1993	325.11	150,182,126	49,942,585
1993-1998	442.48	535,451,685	181,955,519
1998-2000	602.24	1,143,546,110	425,659,824
Total	--	365,119,246	129,004,415

III. Problems in Implementing Population Control

To further clarify the problems in exercising control over the population, Table 5 lists figures in population growth according to the control program and relevant indices. It may be seen from the data in Table 5 that the task

of implementing the birth control program is an arduous one. During this century, the number of women of childbearing age in Shaanxi Province has been on the rise. Even if there should be a drop in the birth rate, the number of births prior to 1995 will remain considerable. According to our forecast, the number of people of marriageable age will reach its peak in 1992 when it will come to over 700,000, or 170,000 more than 1983. It is extremely likely that the number of births will peak between 1992 and 1995. During the past 18 years, an average of 320,000 people were added to the population every year. In the next 17 years, the average number of people added to the population annually should be kept under 280,000. That goes to show how difficult the work of family planning is. It is not only necessary that we should dedicate ourselves to the task, but we must do so continuously and at a steady pace. We must avoid intensifying our efforts at one moment and relaxing them the next, thus causing fluctuations in the number of births from year to year, upsetting the coordinated structure of the population of different ages and even giving rise to various social problems. The program designed to limit the population to 34.15 million calls for the lowering of the present overall birth rate year by year to 1.68 by the year 1990 and to 1.6 after 1990. The birth rate of Shaanxi Province during the last several decades was 4.8 between 1941 and 1945, 5.34 between 1946 and 1950, 5.96 between 1951 and 1955, 5.6 between 1956 and 1960, 5.92 between 1961 and 1969, 5.51 in 1970, 5.26 in 1971, 5.27 in 1972, 4.39 in 1973, 4.16 in 1974, 3.24 in 1975, 3.2 in 1976, 2.59 in 1977, 2.71 in 1978, 2.85 in 1979, 2.12 in 1980, 2.4 in 1981, and 2.27 in 1982. Thus, the drop to 1.6 by the year 1990 will be the lowest in the last several decades.

It should be noted that it is much easier to reduce the total birth rate from 5 to 2.5 than to further reduce it from 2.5. Since 1971, the main cause for the drop in the birth rate in Shaanxi Province has been due to the fact that people have been marrying at a later age. According to available data, however, the average age for first marriages has dropped since 1980. This trend is expected to continue for a period of time. Thus, new difficulties will be encountered in controlling the birth rate. Nevertheless, it is still possible to reduce the total birth rate to 1.6 by 1990 because although the drop in the total birth rate is not expected to be precipitous or rapid during the next few years, work can still be done. With the adoption of effective measures, the ratio of third and multiple pregnancies will show a rapid decline so that the birth rate will be effectively reduced.

One problem which merits attention is that of ageism. With the adoption of the birth control policy, the problem of ageism is unavoidable. What is important is that the ratio of the aged should not be too high. This problem, however, is not likely to arise within the present century as a result of the implementation of the program to limit the population to 34.15 million by the year 2000 since, by that time, the ratio of those over 65 will come to only 5.88 percent. However, by the year 2031, the coefficient of the aged will be 14.39 percent, which means that the problem of ageism will come to the fore after the third decade of the next century. Thus, we must seek to understand the problem of ageism and make long-term plans to deal with it. The number of aged people in Shaanxi Province will peak at a rapid rate during the third and fourth decades of the 21st century to approach 30 percent of the population.

Table 5. Population Control Figures and Relevant Indices

Year	Total birth rate	Net reproduction birth rate	Total population	No of births per year	No of women of child-bearing age	Birth rate percent	Death rate percent	Natural growth rate percent	No of people of marriage-able age (22 for men 20 for women)
1981	2.46	1.09	28,533,470	--	726,630	2.035	.711	.132	497,900
1985	2.12	0.94	30,028,720	569,060	806,126	1.906	.691	.122	496,630
1990	1.68	0.75	31,682,710	542,850	900,695	1.722	.749	.097	756,600
1995	1.6	0.72	33,102,800	533,290	943,412	1.618	.793	.082	638,050
2000	1.6	0.72	34,150,200	454,570	976,705	1.334	.843	.049	488,990
2005	1.6	0.73	34,759,060	415,840	980,374	1.198	.904	.029	545,980
2010	1.6	0.73	35,149,700	410,350	974,789	1.168	.990	.018	526,830
2015	1.6	0.74	35,308,700	399,830	937,299	1.132	1.099	.003	514,960
2020	1.6	0.74	35,164,410	376,110	864,574	1.069	1.234	.017	451,800

Table 5. [continued]

Year	No of retired persons (60 for men 55 for women)	Ratio of people over 65		Index of young needing care	Index of aged needing care	Index of No of people needing care	Ratio of main labor force (20-60 years)	No of school age children (7-12 years)	No of junior high school students (13-15 years)	No of senior high school students (16-18 years)
		No of people	Percent							
1981	180,320	1,279,940	4.4857	72.11	9.66	81.78	46.39	4,407,190	2,096,820	2,097,100
1985	188,100	1,503,500	5.0007	58.40	10.00	68.41	50.04	3,521,150	2,278,420	2,199,600
1990	219,940	1,710,170	5.3978	46.21	9.84	55.06	54.81	3,118,300	1,647,170	2,072,030
1995	253,810	1,799,720	5.4368	41.81	9.35	51.14	58.22	3,290,070	1,536,630	1,536,180
2000	275,240	2,010,730	5.8879	38.17	9.97	48.15	59.00	3,160,490	1,638,510	1,652,100
2005	327,680	2,268,620	6.5267	33.58	10.97	44.38	50.43	3,032,200	1,556,060	1,608,610
2010	413,110	2,528,980	7.1948	30.12	11.80	41.93	60.92	2,620,970	1,505,360	1,561,060
2015	426,840	2,887,000	8.1764	28.27	13.50	41.78	60.53	2,418,450	1,278,420	1,409,970
2020	480,950	3,543,880	10.0780	28.13	17.01	45.15	59.21	2,375,860	1,120,025	1,222,990

That is due to the high number of births during the 6th decade of the 20th century. It so happens that the ratio of the labor force out of the total population will be at its lowest during that same period of time, so that the burden which society has to bear will be at its heaviest. Some 20 years later, the situation of the population which needs to be nurtured will change from that characterized by the preponderance of the burden of taking care of children at the present time to that characterized by the preponderance of the burden of taking care of the aged. The demands made on society by the young and the aged vary greatly, so that readjustments must be made in production and services in society. Although the peak of ageism occurs when the size of the labor force is at its smallest, the absolute amount of labor in Shaanxi Province remains considerable. In providing services to the aged, advantage should be taken of the size of the labor force to provide them family welfare services in the nation in general and in Shaanxi Province in particular since the aged are reluctant to leave the areas in which they have resided for a long time and are used to the family way of life. All measures for offering services by society to the aged must begin to be implemented before the year 2000 so that the long experience acquired in providing such services will make it possible for society by the year 2030. We must have a full understanding of the social welfare needs of the aged and make adequate preparations to meet such needs if family planning is to succeed, especially in the rural areas. We must at the same time direct our attention to the work of dealing with retirees. In the next 45 years, when the problem of ageism will gradually make itself felt, the size of the population reaching retirement age will show a sharp rise and the number of retirees will increase annually from some 190,000 at the present time to 280,000 in the year 2000 and 600,000 in the year 2025. The withdrawal of a large number of workers from the production field in the cities will also mean that they will take with them their technical expertise so that it will be necessary to step up the training of young workers to take their place. Furthermore, the withdrawal of large numbers of workers from the production field does not mean that they will retire from life. Thus, how society is going to cope with the problem of rendering the aged the necessary services and of making use of their skills for the benefit of society is one which must be addressed and resolved.

In short, if the program for limiting the population in Shaanxi Province to 34.15 million before the year 2000 is successfully carried out, the population situation will be of advantage to society and economic development. However, it is also possible that if the size of the population should exceed the quota to a considerable extent, then the population situation will have an extremely adverse effect on social and economic development. For this reason, control over the size of the population is of paramount importance during this particular period in history.

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TRANSPORTATION

REFORM IN CHINA'S RAILWAY SECTOR DISCUSSED

Beijing LIAOWANG [OUTLOOK] in Chinese No 26, 30 Jun 86 pp 20-21

[Article by Xu Minhe [1776 3046 0735 and Zhu Haiyan [2612 3189 3601]: "Bold Reform in China's Railway Sector"]

[Text] In the annals of China's economic management reform, this will be another bold experiment: the State Council has approved a new economic contract responsibility system for the Ministry of Railways beginning this year, to be implemented during the Seventh 5-Year Plan.

What are the implications of this contract responsibility system? Generally speaking, they are:

In one respect, during these 5 years, the state will no longer earmark funds for MOR capital construction. The state originally allocated 25 billion yuan for this purpose.

In another, over the 5 years, the MOR will no longer turn over profits to the state (originally, the amount was 2 percent per year on a base of 1.2 billion yuan), will no longer pay income taxes on 55 percent of its profits, and will have its business tax reduced to 5 percent from 15 percent.

In other words, the state will no longer be handing out money, and the MOR is to remit nothing except for the 5 percent business tax on turnover. But freight volumes and capital construction must still grow at a fixed pace.

From the second half of this year, experts from the State Planning Commission, Ministry of Finance, MOR, and two other agencies lugged computers around making innumerable calculations. Finally, everyone unanimously approved the plan, deeming it beneficial for reform of the whole economic system, for stimulating development of the railroad sector, and for revitalizing the national economy.

Then, is everyone happy and is there nothing to worry about? Hardly. An official in the finance bureau of the MOR told reporters that when what the state was originally to give to the MOR is balanced out with what the MOR was to turn over to the state each year under normal conditions, the MOR stands to sustain 1 billion yuan in losses in 5 years. The ability to make up these

losses will ultimately depend on how we run the business, but we are confident. A job done well will not only balance the books, but also bring in greater earnings.

Rail Shipments Strained, in Dire Need of Change

Since the founding of the new China, China's railway sector has obtained good results. In the Sixth 5-Year Plan, for example, freight volume increased an average of 37 million tons annually, or 30 percent per year; passenger traffic increased 40 million persons per year, for an average annual increase of 4.9 percent. In 1985, freight volume hit 1.375 billion tons and passenger traffic 1.1 billion persons. Yet when compared to the overall development of the national economy, the railroad sector lags behind. According to the State Statistical Bureau, comparing the pace of China's industrial growth with the pace of growth in freight volume, the figures are 1:0.71 for 1954 to 1980; 1:0.31 for 1981 to 1984, and 1:0.21 for the first half of 1985. Despite an increase in freight volume, railroads can actually only handle 70 percent of society's demands, and the situation in passenger traffic is about the same, unable to keep pace with demand. "Getting a ride is difficult" is a phrase used with much frequency. On the heavily travelled Beijing-Guangzhou, Beijing-Shanghai and Beijing-Shenyang trunk lines, the traffic and freight load is among the heaviest in the world; coal, lumber and other materials pile up awaiting shipment and passenger cars are so badly overcrowded that many travellers have to stand from Beijing to Shanghai.

The underlying cause of this situation is inadequate facilities and backward technology. China, a country of vast territory and huge population, has but 52,000 km of track in operation, an average of only 0.53 km for every 10,000 persons. Even more evident is the backwardness of technology and equipment. Developed countries have entered the age of high speed electric engines, yet 70 percent of China's are still steam powered.

The antiquated state of China's railroad sector has a historical reason: originally, China was a backward, semicolonial, semifeudal country. In the more than 30 years since the founding of the new China, the railroad sector has had great achievements, but has not undergone fundamental change, and important reason being a petrified management system which makes it impossible for development in the railroad sector to actively conform to social and economic development.

As the department in charge of administering state control over the railroad sector, the MOR was for a long time like many other enterprises in China, its independence very limited. For every kilometer of track repaired, every engine built, the MOR relied upon state appropriations, and most of the value of the business it generated had to be turned over to the state in the form of profits and tax revenues. This type of centralized budget management system made it impossible for the MOR to achieve internal vigor and utilize its accumulations to undertake self-reform and self-development.

To permit the reporters an understanding of the petrified management system, an MOR official explained that the ministry is divided into six bureaus including rail transport, rail industry, and railroad capital construction,

and that the budgets of these six agencies are governed directly by state finance; the railways minister does not even have the authority to get involved. This gives rise to a strange phenomenon. Some departments have money in the bank, but the MOR has no authority to withdraw and use it, while others urgently need cash but must take out loans from the bank and pay stiff interest rates. In other words, the money the state gives you to buy one thing cannot be used to buy something else.

There are a lot of unavoidable weaknesses in this style of management system, one being emphasizing production at the expense of management. Production departments care only about hitting freight volumes, and dismiss any consideration about profitability at those volumes or the amount of profits to be made, not to mention whether or not, within the overall context of capacity, volumes reached were appropriate or economical. A second drawback is investments in railroad capital construction is not linked to economic results; accounts of investments and earnings are kept separately. Because an investment is the spending of state funds, it is impossible and unnecessary to take economic results into full consideration. Rail departments do not assume responsibilities when investments are squandered or saved in a certain construction project anyway. Hence most of the time, the state spends precious investment funds, yielding less than ideal economic results. According to analysis by the experts, 19 trunk lines and 14 feeder lines totaling 10,000 km in length built and put into service after 1966 experience idle capacities in varying degrees because of inadequate freight volume, creating 830 million yuan in losses just in 1982.

How do these losses happen? No doubt for reasons such as lack of corresponding proofs in economic policy decisions, but one root cause is the management system.

Of course, the backwardness of China's rail sector also has some external causes, but those are linked to the economic management systems as a whole. For example, archaic equipment is linked to low depreciation rates stipulated by the state. The basic depreciation rate for the railway sector is a mere 3 percent, and can be changed only once every 33 years. This is not in step with the giant strides made in science and technology. Furthermore, freight rates are too low, averaging less than 2 fen per km/ton, or one-eleventh that of highway freight charges. For half a kilogram of vegetables shipped from Chengdu to Beijing, the freight rate is only 1.2 fen, and for the same amount of apples shipped from Yantai to Urumqi, a mere 2.55 fen. Low rates like these on the one hand attract all sorts of goods to the railroads, putting more strain on rail freight, and on the other prevent the railroad sector from developing through its own accumulations. Increasing the railroad sector's accumulation will in fact have far greater social economic benefit than direct economic benefit. For example, in 1984, insufficient capacity caused a pile up of more than 30 million tons of coal in Shanxi. If this coal were shipped, it could have earned an additional 50 billion yuan in output value, and increased tax revenues by 1.25 billion yuan. As can be seen, self development of the railroad through its own accumulations is in line with objective economic laws.

Actually, a system of inequitable freight rates, low depreciation rates and other factors not only limits the railway sector from reacting flexibly to economic laws, it also adversely affects the development of a lot of businesses. It is precisely for the purpose of releasing internal vigor of millions of enterprises that China has begun reform of its whole economic system. This reform started off with reform of small and medium sized enterprises, and now the implementation of the economic responsibility system in the MOR indicates the reform has taken a big step further.

The Zhongnanhai Policy Decision

Railroads are the lifelines of the national economy. The railroad sector is a big business with overall jurisdiction over 3 million employees. Carrying out reform of the management system of such a large enterprise can be said to be a sweeping policy decision. And the final say on this policy decision can only come from Zhongnanhai.

This policy decision had been discussed and considered for a long time. Without digging far back, as early as the first part of 1985, when Premier Zhao Ziyang was on an inspection tour in Shanxi, he suggested that the Ministry of Railways investigate the issue of responsibility. Following up on Zhao Ziyang's idea, the MOR, together with the State Planning Council, finance departments and other concerned agencies, conducted a thorough investigation, collected a mass of data, carried out repeated discussions, and in mid September submitted to the State Council a Ministry of Railways contract plan which referred to the experiences of foreign countries yet made every effort to comply with realities in China, and which underwent proofs of policy decisions.

On October 5, Vice Premier Li Peng expressed his approval of the contract plan, and presented his ideas on some special problems. In view of the shortage of capital for railroad construction, he suggested that: railroads develop through their own accumulations; local railroads set their own freight rates; wage fund amounts be set according to freight volumes; the railroad sector be independent; depreciation be increased; appropriate surcharges be added on coal shipped in volumes exceeding capacities; and that the state would not be able to support a series of technical policies and capital construction.

On October 14, not long after returning to Beijing from an inspection tour of the northwest plateau in Sichuan, Secretary General Hu Yaobang wrote on the contract plan: "I approve of large scale contracting of responsibilities; moreover, I approve of doing it next year. Uncountable experiences have proved that our cause is dependent upon the exploitation of the initiative, enthusiasm, and creativity of the majority of comrades; relying only on the wisdom and intelligence of the few and on centralized budgeting will not solve complicated, ever-changing everyday problems."

On October 15, Premier Zhao Ziyang expressed approval of the contract plan, pointing out that it is a comprehensive one for the MOR, covering everything

from investments to setting up for operation, and is to be thoroughly researched and put into practice according to the railroad's own characteristics.

On February 12 this year, Chairman Deng Xiaoping said to leaders of the State Council that the MOR's economic contract responsibility system should be supported.

To finalize the MOR economic contract plan, Vice Premier Yao Yilin chaired three Central Committee finance leader group work conferences together with specialists involved, to argue the plan. At the meeting on March 22, when the State Planning Commission and four other agencies unanimously approved the MOR's economic responsibility system plan, Yao Yilin said, smiling: "As long as no one has any objections, let's settle it. Please sign here and now."

At the end of March, the State Council issued a document formally approving the MOR's contract plan.

This Zhongnanhai policy decision is not an isolated action. The MOR's reform is linked to the entire economic management system reform during the Seventh 5-Year Plan.

In the "Report on the Seventh 5-Year Plan," Premier Zhao Ziyang pointed out "the need to aim over the next 5 years or even longer at laying the basic foundation of a socialist economic system with Chinese characteristics which is full of vim and vigor." To this end, one important aspect of reform is the implementation of different types of economic responsibility systems in enterprises, especially small and medium sized enterprises, to further broaden their independence in production and management, so that they may become independent producers and managers of socialist commodities responsible for their own profits and losses, with true self-accumulation, self-reform and self-development capabilities.

The reform of the MOR can be viewed as another experiment in the reform of China's large-scale enterprises, and as a sweeping reform of the state management mechanism of a nationwide enterprise like the railroad. The success of the MOR reform will therefore spur on the success of the entire reform.

MOR Goes into Action; Works Twice as Hard

After completion of its reform, the MOR will become an economic entity which has full authority to dispatch freight operations and manage capital construction. This requires that the MOR make the change from a productive enterprise to a developing enterprise, i.e., turn to relying on scientific management and on technical advancements, and exploit internal potential to expand reproduction so it can adapt to the needs of the national economy.

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